

09-15-2004

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Tab settings



J.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

102835756

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

9/10/04

1. Name of conveying party(ies):
ALEXIA FOODS, INC.
 Individual(s) Association
 General Partnership Limited Partnership
 Corporation-State
DELAWARE
Other
Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)
Name: **UNION BANK OF CALIFORNIA, N.A.**
Internal Address: **ATTN: CHRISTOPHER FREEMAN**
Street Address: **445 SOUTH FIGUEROA STREET, 13th FLOOR**
City: **LOS ANGELES** State: **CA** Zip: **90071**
 Individual(s) citizenship
 Association
 General Partnership
 Limited Partnership
 Corporation-State
 Other **NATIONAL BANKING ASSOCIATION**
If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:
 Assignment Merger
 Security Agreement Change of Name
Other
Execution Date: **SEPTEMBER 9, 2004**

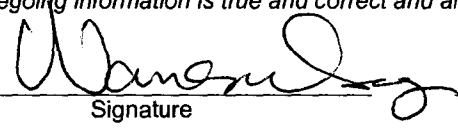
4. Application number(s) or registration number(s):
A. Trademark Application No.(s) **SEE SCHEDULE B**
Additional number(s) attached Yes No

B. Trademark Registration No.(s) **SEE SCHEDULE B**

5. Name and address of party to whom correspondence concerning document should be mailed:
Name **WANSUN SONG, ESQ.**
Internal Address
PILLSBURY WINTHROP LLP
Street Address: **725 SOUTH FIGUEROA STREET SUITE 2800**
City: **LOS ANGELES** State: **CA** Zip: **90017-5406**

6. Total number of applications and registrations involved:19.....
7. Total fee (37 CFR 3.41).....\$ **490.00**
 Enclosed
 Authorized to be charged to deposit account
8. Deposit account number: **16-1805**
(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.
To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.
WANSUN SONG  **9/9/04**
Name of Person Signing Signature Date

09/14/2004 DBYRME 00000006 78417653

Total number of pages including cover sheet, attachments, and document: 33

01 FC:0520 40.00 DP
02 FC:0522 430.00 DP

COPYRIGHTS, PATENTS AND MARKSCOPYRIGHTS

None.

PATENTS

None.

MARKS

Trademark	Country	Serial No. Registration No.	Filing Date Issue Date
ALEXIA QUICK FRIES	USA	78/417,653	05/12/04
ALEXIA SKILLET FRIES	USA	78/405,678	04/21/04
ALEXIA OVEN BLENDS	USA	78/403,119	04/16/04
ALEXIA MUSHROOM BITES	USA	78/392,797	03/29/04
ALEXIA MOZZARELLA STIX	USA	78/392,793	03/29/04
ALEXIA ONION RINGS	USA	78/392,785	03/29/04
YUKON KRINKLES	USA	78/307,284	09/30/03
OVEN CRINKLES	USA	76/538,758	08/21/03
KRINKLE FRIES	USA	76/538,757	08/21/03
MORNING FRIES	USA	76/493,132	02/20/03
RUBY FRIES	USA	76/458,807	10/09/02
NORTHWEST RUSSET	USA	2,868,100	07/27/04
COUNTRY REDS	USA	2,858,673	06/29/04
OVEN REDS	USA	2,858,563	06/29/04
ALEXIA	USA	2,843,523	05/18/04
ALEXIA	USA	2,843,522	05/18/04
ALEXIA HANNA GOLD	USA	2,841,189	05/11/04
ALEXIA OVEN FRIES	USA	2,744,184	07/29/03

Trademark	Country	Serial No. Registration No.	Filing Date Issue Date
ALEXIA YUKON GOLD	USA	2,740,755	07/22/03
ALEXIA	European Union	002687937	05/07/02
ALEXIA	Japan	4662428	04/11/03
ALEXIA	Mexico	760,853	05/08/02
ALEXIA	South Korea	40-2002-29276	06/25/02
ALEXIA	Canada	1140100	05/07/02
MORNING FRIES	Canada	1,168,856	02/21/03
TRIO FRIES	Canada	1,152,106	09/09/02

LOCATIONS OF EQUIPMENT AND INVENTORY

Location

37 Greenpoint Avenue, 5th Floor
Brooklyn, NY 11222

Totally Confused Storage & Distribution, Inc.
1420 Forum Way South
Fort Worth, TX 76140
Attention: Ron Schermerhorn

Denver Cold Storage
555A Sandy Hill Road
Denver, PA 17517-0399
Attention: Dave Fisher

New Mexico Cold Storage
135 Aspen N.W.
Albuquerque, NM 87104
Attention: Jim Morris

Henningsen Cold Storage Co.
2025 Saint Street
Richland, WA 99354
Attention: Bill Daniel

Intercontinental Warehouses, Inc.
225 Rexdale Boulevard
Etobicoke, Ontario M9W1P7
Attention : Alan Tsui – Director of Finance

Interstate Warehousing, Inc.
1301 S. Keystone Avenue
Indianapolis, IN 46203
Attention: Jim Waddick

Jim Cody Foods
5301 East Diana Street
Tampa, FL 33610
Attention : Susan Cody

SECURITY AGREEMENT

This SECURITY AGREEMENT is dated as of September 9, 2004, and made by ALEXIA FOODS, INC., a Delaware corporation (the "Grantor"), in favor of UNION BANK OF CALIFORNIA, N.A. (the "Lender").

RECITALS

A. The Lender has entered into that certain Promissory Note dated as of even date herewith (said Agreement, as it may hereafter be amended, restated, supplemented or otherwise modified from time to time, being called the "Promissory Note") with the Grantor.

B. It is a condition precedent to the extension of credit by the Lender under the Promissory Note that the Grantor shall have executed and delivered this Agreement.

C. Terms defined in the Promissory Note and not otherwise defined herein have the same respective meanings when used herein. Schedule and Exhibit references are to this Agreement unless otherwise specified, and each such Schedule and Exhibit is incorporated herein.

AGREEMENT

NOW, THEREFORE, in order to induce the Lender to enter into the Promissory Note and for other good and valuable consideration, the receipt and adequacy of which hereby is acknowledged, the Grantor hereby represents, warrants, covenants, agrees, assigns and grants as follows:

1. Definitions. Unless the context otherwise requires, terms defined in the Uniform Commercial Code of the State of California (the "Uniform Commercial Code") and not otherwise defined in this Agreement or in the Promissory Note shall have the meanings defined for those terms in the Uniform Commercial Code. In addition, the following terms shall have the meanings respectively set forth after each:

"Certificates" means all certificates, instruments and other documents now or hereafter representing or evidencing any Pledged Securities or any Pledged Limited Liability Company Interests.

"Collateral" means all present and future right, title and interest of the Grantor in or to any property or assets whatsoever, whether now owned or existing or hereafter arising or acquired and wheresoever located, and all rights and powers of the Grantor to transfer any interest in or to any property or assets whatsoever, including, any and all of the following property:

(a) All present and future accounts, accounts receivable, agreements, guarantees, contracts (including the Material Agreements), leases, licenses, contract rights and rights to payment (collectively, the “Accounts”), together with all instruments, documents, chattel paper, security agreements, guaranties, undertakings, surety bonds, insurance policies, notes and drafts, all other supporting obligations, and all forms of obligations owing to the Grantor or in which the Grantor may have any interest, however created or arising;

(b) All present and future general intangibles (including payment intangibles), agreements, guarantees, contracts, contract rights, franchises, subscriptions, letter-of-credit rights, instruments, documents, leases, licenses and rights to payment; and all other forms of obligations owing to the Grantor or in which the Grantor may have any interest, however created or arising; all tax refunds of every kind and nature to which the Grantor now or hereafter may become entitled, however arising, all other refunds, all commitments to extend financing to the Grantor, all judgements, causes in action and claims, and all deposits, goodwill, choses in action, trade secrets, computer programs, software, customer lists, trademarks, trade names, patents, licenses, copyrights, technology, processes, proprietary information, insurance proceeds and warranties including, the Copyrights, the Patents, the Marks and the goodwill of the Grantor’s business connected with and symbolized by the Marks;

(c) All present and future demand, time, savings, passbook, deposit and like accounts (general or special) (collectively, the “Deposit Accounts”) in which the Grantor has any interest, which is maintained with any bank, savings and loan association, credit union or like organization, including, each account listed on Schedule E (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), and all money, cash and cash equivalents of the Grantor, whether or not deposited in any Deposit Account;

(d) All present and future books and records, including, books of account and ledgers of every kind and nature, all electronically recorded data relating to the Grantor or the business thereof, all receptacles and containers for such records, and all files and correspondence;

(e) All present and future goods, furniture, fixtures, furnishings, machinery, automobiles, trucks, other vehicles, spare parts, supplies, equipment, tooling, molds, patterns and dies, all computers, computer tapes and disks and computer equipment, and all other tangible property owned by the Grantor and used, held for use or useful in connection with its business, wherever located, and all other goods used in connection with or in the conduct of the Grantor’s business or otherwise owned by the Grantor (collectively, the “Equipment”);

(f) All present and future inventory and merchandise, including, all present and future goods held for sale or lease or to be furnished under a contract of service, all raw materials, work in process and finished goods and products, all packing materials, supplies and containers relating to or used in connection with any of the foregoing, and all bills of lading, warehouse receipts and documents of title relating to any of the foregoing (collectively, the “Inventory”);

(g) All present and future stocks, bonds, debentures, certificated and uncertificated securities, security entitlements, subscription rights, options, warrants, puts, calls, certificates, securities accounts, commodity contracts, commodity accounts, partnership interests, limited

liability company interests, joint venture interests and investment and/or brokerage accounts, and all other investment property, including, the Certificates, the Pledged Securities, the Pledged Partnership Interests and the Pledged Limited Liability Company Interests, and all rights, preferences, privileges, dividends, distributions (in cash or in kind), redemption payments or liquidation payments with respect thereto;

(h) All present and future accessions, appurtenances, components, repairs, repair parts, spare parts, replacements, substitutions, additions, issue and/or improvements to or of or with respect to any of the foregoing;

(i) All other tangible and intangible personal property of the Grantor;

(j) All rights, remedies, powers and/or privileges of the Grantor with respect to any of the foregoing; and

(k) Any and all proceeds and products of the foregoing, including, all money, accounts, general intangibles, deposit accounts, documents, instruments, letter-of-credit rights, investment property, chattel paper, goods, insurance proceeds and any other tangible or intangible property received upon the sale or disposition of any of the foregoing.

“Copyrights” means all:

(a) copyrights, whether or not published or registered under the Copyright Act of 1976, 17 U.S.C. Section 101 et seq., as the same shall be amended from time to time, and any predecessor or successor statute thereto (the “Copyright Act”), and applications for registration of copyrights, and all works of authorship and other intellectual property rights therein, including, copyrights for computer programs, source code and object code data bases and related materials and documentation, and including the registered copyrights and copyright applications listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), and (i) all renewals, revisions, derivative works, enhancements, modifications, updates, new releases and other revisions thereof, (ii) all income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof, (iii) the right to sue for past, present and future infringements thereof and (iv) all of the Grantor’s rights corresponding thereto throughout the world;

(b) rights under or interests in any copyright license agreements with any other party, whether the Grantor is a licensee or licensor under any such license agreement, including the copyright license agreements listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), and the right to use the foregoing in connection with the enforcement of the rights under the Loan Documents; and

(c) copyrightable materials now or hereafter owned by the Grantor, all tangible property embodying the copyrights or copyrightable materials described herein, and all tangible property covered by the licenses described in clause (b) hereof.

“Limited Liability Company Acknowledgement” shall have the meaning ascribed to it in Section 4(b) of this Agreement.

“Limited Liability Company Assets” means all assets, whether tangible or intangible and whether real, personal or mixed (including, all limited liability company capital and interests in other limited liability companies), at any time owned or represented by any Limited Liability Company Interests.

“Limited Liability Company Interests” means the entire limited liability company interest at any time owned by the Grantor in any Pledged Entity.

“Limited Liability Company Notice” shall have the meaning ascribed to it in Section 4(b) of this Agreement.

“Marks” means all (i) trademarks, trademark registrations, interests under trademark license agreements, trade names, trademark applications, service marks, business names, trade styles, designs, logos and other source or business identifiers which are used in the United States or any state, territory or possession thereof, or in any other place, nation or jurisdiction anywhere in the world, including the trademarks, trademark registrations, applications, service marks, business names, trade styles, design logos and other source or business identifiers listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), (ii) licenses pertaining to any such mark, whether the Grantor is a licensor or licensee including, the licenses listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), (iii) all income, royalties, damages and payments now and hereafter due and/or payable with respect to any such mark or any such license, including, damages and payments for past, present or future infringements thereof, (iv) rights to sue for past, present and future infringements thereof, (v) rights corresponding thereto throughout the world, (vi) all product specification documents and production and quality control manuals used in the manufacture of products sold under or in connection with such marks, (vii) all documents that reveal the name and address of all sources of supply of, and all terms of purchase and delivery for, all materials and components used in the production of products sold under or in connection with such marks, (viii) all documents constituting or concerning the then current or proposed advertising and promotion by the Grantor, its subsidiaries or licensees of products sold under or in connection with such marks, including all documents that reveal the media used or to be used and the cost for all such advertising and (ix) renewals and proceeds of any of the foregoing.

“Patents” means all (i) letters patent, design patents, utility patents, inventions and trade secrets, all patents and patent applications in the United States Patent and Trademark Office, and all interests under patent license agreements, including the inventions and improvements described and claimed therein, including those letters patent, design patents, utility patents, inventions, trade secrets, patents, patent applications and patent license agreements listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), (ii) licenses pertaining to any patent whether the Grantor is a licensor or licensee, (iii) income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, damages and payments for past, present or future infringements thereof, (iv) rights to sue for past, present and future infringements thereof,

(v) rights corresponding thereto throughout the world and (vi) the reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing.

“Pledged Collateral” means the Certificates, the Pledged Securities, the Pledged Partnership Interests and the Pledged Limited Liability Company Interests.

“Pledged Entity” means each limited liability company set forth in Schedule A (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), together with any other limited liability company in which the Grantor may have an interest at any time.

“Pledged Limited Liability Company Interests” means all interests in each Pledged Entity held by the Grantor, including those Limited Liability Company Interests identified in Schedule A (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), including (i) all the capital thereof and the Grantor’s interests in all profits, losses, Limited Liability Company Assets and other distributions in respect thereof; (ii) all other payments due or to become due to the Grantor in respect of such Limited Liability Company Interests; (iii) all of the Grantor’s claims, rights, powers, privileges, authority, options, security interests, liens and remedies in respect of such Limited Liability Company Interests; (iv) all of the Grantor’s rights to exercise and enforce every right, power, remedy, authority, option and privilege relating to such Limited Liability Company Interests; and (v) all other property delivered in substitution for or in addition to any of the foregoing and all certificates and instruments representing or evidencing such other property received, receivable or otherwise distributed in respect of or in exchange for any or all thereof.

“Pledged Partnership Interests” means all interests in any partnership or joint venture held by the Grantor, including those partnerships and/or joint ventures identified in Schedule A (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement) and all dividends, cash, instruments and other properties from time to time received, to be received or otherwise distributed in respect of or in exchange for any or all of such interests.

“Pledged Securities” means all shares of capital stock of any issuer in which the Grantor has an interest, including, those shares of stock identified in Schedule A (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement) and all dividends, cash, instruments and other properties from time to time received, to be received or otherwise distributed in respect of or in exchange for any or all of such shares.

2. Creation of Security Interest. The Grantor hereby assigns and pledges to the Lender, and grants to the Lender a security interest in and to, all right, title and interest of the Grantor in and to all presently existing and hereafter acquired Collateral.

3. Security for Obligations. This Agreement and the pledges made and security interests granted herein secure the prompt payment, in full in cash, and full performance of, all obligations of the Grantor now or hereafter existing under any Loan Document, whether for principal, interest, fees, expenses (including attorneys’ fees and expenses) or otherwise, including, all obligations of the Grantor now or hereafter existing under this Agreement, all

interest that accrues (whether or not allowed) at the then applicable rate (including interest at the rate for overdue payments described in Section 2(b) of the Promissory Note) specified in the Promissory Note on all or any part of any of such obligations after the filing of any petition or pleading against the Grantor for a proceeding under any bankruptcy or related law (collectively, the "Secured Obligations").

4. Delivery of Pledged Collateral.

(a) Each Certificate shall, on (i) the Closing Date (with respect to Certificates existing on such date) and (ii) on the date of receipt or acquisition by the Grantor (with respect to Certificates received or acquired after the Closing Date), be delivered to and held by the Lender and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed undated endorsements, instruments of transfer or assignment in blank, all in form and substance satisfactory to the Lender.

(b) With respect to each Limited Liability Company Interest, on (i) the Closing Date (with respect to Limited Liability Company Interests existing on such date) and (ii) the date of acquisition by the Grantor (with respect to Limited Liability Company Interests acquired after the Closing Date) of any Limited Liability Company Interest, a notice substantially in the form set forth in Schedule G (the "Limited Liability Company Notice") shall be appropriately completed and delivered to each Pledged Entity, notifying each Pledged Entity of the existence of this Agreement and the Grantor shall have received and delivered to the Lender a copy of such Limited Liability Company Notice, along with an acknowledgment in the form set forth in Schedule G (the "Limited Liability Company Acknowledgment"), duly executed by the relevant Pledged Entity.

(c) The Lender shall have the right, upon the occurrence and during the continuance of an Event of Default, without notice to the Grantor, to transfer to or to direct the Grantor or any nominee of the Grantor to register or cause to be registered in the name of the Lender or any of its nominees any or all of the Pledged Collateral. In addition, the Lender shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

5. Further Assurances.

(a) At any time and from time to time, at the written request of the Lender, the Grantor shall execute and deliver to the Lender, at the Grantor's expense, all such financing statements and other instruments, certificates and documents in form and substance satisfactory to the Lender, and perform all such other acts as shall be necessary or desirable to fully perfect or protect or maintain, when filed, recorded, delivered or performed, the Lender's security interests granted pursuant to this Agreement or to enable the Lender to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Grantor shall: (i) at the request of the Lender, mark conspicuously each document included in the inventory and each other contract relating to the Accounts, and all chattel paper, instruments and other documents and each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to the Lender, indicating that such document, contract, chattel paper, instrument or Collateral is subject to the security interests granted hereby; (ii) if

any Account or contract or other writing relating thereto shall be evidenced by a promissory note or other instrument, deliver and pledge to the Lender such note and/or other instrument duly endorsed and accompanied by duly executed undated instruments of transfer or assignment, all in form and substance satisfactory to the Lender; (iii) at the request of the Lender, execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Lender may request, in order to perfect and preserve, with the required priority, the security interests granted, or purported to be granted hereby; (iv) upon the Grantor's registration, or application therefor, of any copyright under the Copyright Act, execute and deliver to the Lender for recordation and filing in the United States Copyright Office a copy of this Agreement or another appropriate copyright mortgage document in form and substance satisfactory to the Lender; (v) upon the Grantor's registration, or application therefor, of any Patent or Mark, execute and deliver to the Lender for recordation and filing in the United States Patent and Trademark Office a copy of this Agreement or another appropriate patent or trademark mortgage document, as applicable, in form and substance satisfactory to the Lender; and (vi) cause Control Agreements to be executed by all parties necessary to establish "control" under the UCC with respect to such deposit accounts, investment property, letter-of-credit rights and electronic chattel paper as the Lender shall specify.

(b) At any time and from time to time, the Lender shall be entitled to file and/or record any or all such financing statements, instruments and documents held by it, and any or all such further financing statements, documents and instruments, relative to the Collateral or any part thereof in each instance, and to take all such other actions as the Lender may deem appropriate to perfect and to maintain perfected the security interests granted herein.

(c) The Grantor hereby authorizes the Lender to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of the Grantor where permitted by law. A carbon, photographic or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(d) The Grantor shall furnish to the Lender from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Lender may request. Upon the Grantor's obtaining any rights or interests in any Deposit Accounts, the Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule E to reflect such additional Deposit Accounts. Upon the Grantor's publication or registration, or application for registration, of any copyright under the Copyright Act, the Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule B to reflect the publication or registration of such copyright or application therefor. Upon the Grantor's obtaining any rights or interests in any Marks, the Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule B to reflect such additional Marks. Upon the Grantor's obtaining any rights or interests in any Patents, the Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule B to reflect such Patents. Upon the Grantor's receipt or acquisition of any additional shares of capital stock of any Person, any additional partnership interests in any partnership or joint venture or any additional Limited Liability Company Interests, the Grantor shall, in addition to all other acts

required to be performed in respect thereof pursuant to this Agreement, supplement Schedule A to reflect such additional Pledged Collateral.

(e) With respect to any Collateral consisting of certificates of title or the like as to which the Lender's security interest need be perfected by, or the priority thereof need be assured by, notation on the certificate of title pertaining to such Collateral, the Grantor will (i) promptly notify the Lender of the acquisition thereof and (ii) at the request of the Lender, cause such security interest to be noted on such certificate of title.

(f) With respect to any Collateral consisting of certificates of stock, securities, instruments, partnership or joint venture interests, interests in limited liability companies, or the like, the Grantor hereby consents and agrees that, upon the occurrence and during the continuance of an Event of Default, the issuers of, or obligors on, any such Collateral, or any registrar or transfer agent or trustee for any such Collateral, shall be entitled to accept the provisions of this Agreement as conclusive evidence of the right of the Lender to effect any transfer or exercise any right hereunder or with respect to any such Collateral, notwithstanding any other notice or direction to the contrary heretofore or hereafter given by the Grantor or any other Person to such issuers or such obligors or to any such registrar or transfer agent or trustee.

6. Voting Rights; Dividends; Etc. So long as no Event of Default shall have occurred and be continuing:

(a) Voting Rights. The Grantor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Securities, the Pledged Partnership Interests and the Pledged Limited Liability Company Interests for any purpose not inconsistent with the terms of this Agreement, the Promissory Note or the other Loan Documents; provided, however, that the Grantor shall not exercise any such right if it would result in a Default.

(b) Dividend and Distribution Rights. Subject to the terms of the Promissory Note, the Grantor shall be entitled to receive and to retain and use any and all dividends or distributions paid in respect of the Pledged Securities, the Pledged Partnership Interests or the Pledged Limited Liability Company Interests; provided, however, that any and all

(i) non-cash dividends or distributions in the form of capital stock, certificated limited liability company interests, instruments or other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Securities, Pledged Partnership Interests or Pledged Limited Liability Company Interests,

(ii) dividends and other distributions paid in cash in respect of any Pledged Securities, Pledged Partnership Interests or Pledged Limited Liability Company Interests 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

(iii) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Securities, Pledged Partnership Interests or Pledged Limited Liability Company Interests,

shall forthwith be delivered to the Lender to be held as Collateral or applied to the Obligations in accordance with the Promissory Note, as the Lender may elect; and, if received by the Grantor, shall be received in trust for the benefit of the Lender, be segregated from the other property of the Grantor and forthwith be delivered to the Lender in the same form as so received (with any necessary endorsements).

7. Rights as to Pledged Collateral During Event of Default. When an Event of Default has occurred and is continuing:

(a) Voting, Dividend and Distribution Rights. At the option of the Lender, all rights of the Grantor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6(a) above, and to receive the dividends and distributions which it would otherwise be authorized to receive and retain pursuant to Section 6(b) above, shall cease, and all such rights shall thereupon become vested in the Lender who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and to hold such dividends and distributions.

(b) Dividends and Distributions Held in Trust. All dividends and other distributions which are received by the Grantor contrary to the provisions of Section 7(a) of this Agreement shall be received in trust for the benefit of the Lender, shall be segregated from other funds of the Grantor and forthwith shall be paid over to the Lender as Collateral in the same form as so received (with any necessary endorsements).

8. Irrevocable Proxy. The Grantor hereby revokes all previous proxies with regard to the Pledged Securities and the Pledged Limited Liability Company Interests and appoints the Lender as its proxyholder and attorney-in-fact to (i) attend and vote at any and all meetings of the shareholders of the corporation(s) which issued the Pledged Securities (whether or not transferred into the name of the Lender), and any adjournments thereof, held on or after the date of the giving of this proxy and to execute any and all written consents, waivers and ratifications of shareholders of such corporation(s) executed on or after the date of the giving of this proxy with the same effect as if the Grantor had personally attended the meetings or had personally voted its shares or had personally signed the written consents, waivers or ratification, and (ii) attend and vote at any and all meetings of the members of the Pledged Entities (whether or not such Pledged Limited Liability Company Interests are transferred into the name of the Lender), and any adjournments thereof, held on or after the date of the giving of this proxy and to execute any and all written consents, waivers and ratifications of the Pledged Entities executed on or after the date of the giving of this proxy with the same effect as if the Grantor had personally attended the meetings or had personally voted its Limited Liability Company Interests or had personally signed the consents, waivers or ratifications; provided, however, that the Lender as proxyholder and attorney-in-fact shall have such rights only upon the occurrence and during the continuance of an Event of Default. The Grantor hereby authorizes the Lender to substitute another Person (which Person shall be a successor to the rights of the Lender hereunder or a nominee appointed by the Lender to serve as proxyholder) as the proxyholder and, upon the occurrence or during the continuance of any Event of Default, hereby authorizes and directs the proxyholder to file this proxy and the substitution instrument with the secretary of the appropriate corporation or limited liability company. This proxy is coupled with an interest

and is irrevocable until such time as the Commitment has expired and all Obligations have been indefeasibly paid in full.

9. Copyrights.

(a) Royalties. The Grantor hereby agrees that the use by the Lender of the Copyrights as authorized hereunder in connection with the Lender's exercise of its rights and remedies hereunder shall be without any liability for royalties or other related charges from the Lender to the Grantor.

(b) Restrictions on Future Agreements. The Grantor will not, without the Lender's prior written consent, (i) abandon any Copyright in which the Grantor now owns or hereafter acquires any rights or interests, (ii) enter into any license agreements or (iii) fail to take any action, or permit any others (including licensees) to fail to take any action, which would customarily be taken by a Person in the same business and in similar circumstances as the Grantor.

(c) Duties of Grantor. The Grantor agrees to: (i) prosecute diligently any copyright application included in the Copyrights, (ii) make application for registration of such uncopyrighted but copyrightable material owned by the Grantor as the Lender reasonably deems appropriate, (iii) place notices of copyright on all copyrightable property produced or owned by the Grantor embodying the Copyrights and cause its licensees do the same, (iv) file and prosecute opposition and cancellation proceedings, and (v) take all action necessary to preserve and maintain all of the Grantor's rights in those Copyrights that are or shall be necessary in the operation of the Grantor's business, including making timely filings for renewals and extensions of registered Copyrights and diligently monitoring unauthorized use thereof. Any expenses incurred in connection with the foregoing shall be borne by the Grantor. The Grantor shall notify the Lender of any suits it commences to enforce any Copyright and shall provide the Lender with copies of any documents requested by the Lender relating to such suits. The Lender shall not have any duty with respect to the Copyrights other than to act lawfully and without gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Lender shall not be under any obligation to take any steps necessary to preserve rights in the Copyrights against any other party, but the Lender may do so at its option upon the occurrence and during the continuance of an Event of Default, and all expenses incurred in connection therewith shall be for the account of the Grantor and shall be added to the Secured Obligations.

10. Patents and Marks.

(a) Royalties. The Grantor hereby agrees that any rights granted hereunder to the Lender with respect to Patents and Marks shall be applicable to all territories in which the Grantor has the right to use such Patents and Marks, from time to time, and without any liability for royalties or other related charges from the Lender to the Grantor.

(b) Restrictions on Future Agreements. The Grantor will not, without the Lender's prior written consent, (i) abandon any Patent or Mark in which the Grantor now owns or hereafter acquires any rights or interests, (ii) enter into any license agreements (other than the Trademark License and the Sponge License) or (iii) fail to take any action, or permit any others

(including licensees) to fail to take any action, which would customarily be taken by a Person in the same business and in similar circumstances as the Grantor.

(c) Duties of Grantor. The Grantor agrees to: (i) prosecute diligently any patent application or trademark application included in the Patents or Marks, (ii) make application on unpatented but patentable inventions owned by the Grantor and on unregistered Marks, as the case may be, as the Lender reasonably deems appropriate, (iii) file and prosecute opposition and cancellation proceedings and (iv) take all action necessary to preserve and maintain all rights in those Patents and Marks that are or shall be necessary in the operation of the Grantor's business, including, making timely filings for renewals and extensions of any Patents and Marks and diligently monitoring unauthorized use thereof. Any expenses incurred in connection with the foregoing shall be borne by the Grantor. The Grantor shall notify the Lender of any suit it commences to enforce any Patent or Mark and shall provide the Lender with copies of any documents requested by the Lender relating to such suit. The Lender shall not have any duty with respect to the Patents and Marks other than to act lawfully and without gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Lender shall not be under any obligation to take any steps necessary to preserve rights in the Patents and Marks against any other party, but the Lender may do so at its option upon the occurrence and during the continuance of an Event of Default, and all expenses incurred in connection therewith shall be for the account of the Grantor and shall be added to the Secured Obligations.

11. Grantor's Representations and Warranties. The Grantor represents and warrants as follows:

(a) (i) The locations listed on Schedule C constitute all locations at which Inventory and/or Equipment are located; (ii) the chief executive office of the Grantor, where the Grantor keeps its records concerning the Collateral and the chattel paper evidencing the Collateral, is located at the address set forth for the Grantor on Schedule D; (iii) all records concerning any Accounts and all originals of all contracts and other writings which evidence any Accounts are located at the addresses listed on Schedule D; (iv) except as set forth on Schedule C, the Grantor has exclusive possession and control of the Equipment and the Inventory; (v) the Grantor's legal name, its existence as a corporation, and its place of formation, are as set forth in the preamble to this Agreement; and (vi) the Grantor's state organizational identification number, if any, is set forth on Schedule D.

(b) The Grantor is the legal and beneficial owner of the Collateral free and clear of all Liens except for Liens permitted by Section 8(j) of the Promissory Note. The Grantor has the power, authority and legal right to grant the security interests in the Collateral purported to be granted hereby, and to execute, deliver and perform this Agreement. The pledge of the Collateral pursuant to this Agreement creates a valid security interest in the Collateral. Upon the filing of appropriate financing statements in the filing offices set forth on Schedule F, the recordation of appropriate documentation with the United States Copyright Office and the United States Patent and Trademark Office, as applicable, the execution of Control Agreements with respect to those Deposit Accounts not held with the Lender, and the delivery to the Lender of any Certificates, the Lender will have a first-priority perfected security interest (subject to Section 8(j) of the Promissory Note) in the Collateral to the extent a security interest in such

Collateral can be perfected by such filings, recordations, the execution of Control Agreements and the delivery of such Certificates.

(c) The Pledged Securities and the Pledged Limited Liability Company Interests have been duly authorized and validly issued and are fully paid and nonassessable. All of the Pledged Securities are in certificated form (as contemplated by Article 8 of the Uniform Commercial Code). All of the Pledged Limited Liability Company Interests and Pledged Partnership Interests are in uncertificated form (as contemplated by Article 8 of the Uniform Commercial Code).

(d) No consent of any Person, including, any partner in a partnership with respect to which the Grantor has pledged its interest as a Pledged Partnership Interest or any member in a Pledged Entity, is required for the pledge by the Grantor of the Collateral.

(e) The Pledged Securities described on Schedule A constitute (i) all of the shares of capital stock of any Person owned by the Grantor and (ii) that percentage of the issued and outstanding shares of the respective issuers thereof indicated on Schedule A, and there is no other class of shares issued and outstanding of the respective issuers thereof except as set forth on Schedule A. The Pledged Partnership Interests described on Schedule A constitute (i) all of the partnerships or joint ventures in which the Grantor has an interest and (ii) the Grantor's respective percentage interests in each such partnership or joint venture are as set forth on such Schedule A, and there is no other class of interests therein issued and outstanding except as set forth on Schedule A. The Pledged Limited Liability Company Interests described on Schedule A constitute (i) all of the Limited Liability Company Interests of the Grantor and (ii) the Grantor's respective percentage interests in each such Pledged Entity are as set forth on Schedule A, and there is no other class of interests therein issued and outstanding except as set forth on Schedule A.

(f) No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority (other than such authorizations, approvals and other actions as have already been taken and are in full force and effect) is required (A) for the pledge of the Collateral or the grant of the security interest in the Collateral by the Grantor hereby or for the execution, delivery or performance of this Agreement by the Grantor, or (B) for the exercise by the Lender of the voting rights in the Pledged Securities, the Pledged Partnership Interests and the Pledged Limited Liability Company Interests or of any other rights or remedies in respect of the Collateral hereunder except as may be required in connection with any disposition of Collateral consisting of securities by laws affecting the offering and sale of securities generally.

(g) The Grantor does not own, is not a licensee of, nor has the Grantor applied for any Copyrights, Marks or Patents, other than those set forth on Schedule B. Except as set forth on Schedule B, none of such Copyrights, Marks or Patents has been registered with any Governmental Authority, nor has an application for such registration been made.

(h) Schedule E sets forth (i) all of the Grantor's deposit accounts, securities accounts and other investment property (other than that referred to on Schedule A) and (ii) all letters of credit issued for the benefit of the Grantor. The Grantor has no chattel paper or electronic chattel paper.

(i) The Grantor does not own or lease any vehicle having a value in excess of \$30,000.

12. Grantor's Covenants. In addition to the other covenants and agreements set forth herein and in the other Loan Documents, the Grantor covenants and agrees as follows:

(a) The Collateral will not be used in violation of any material Requirement of Law applicable to the Grantor, nor used in any way that will void or impair any insurance required to be carried in connection therewith.

(b) The Grantor will take all reasonable steps to preserve and protect the Collateral.

(c) The Grantor will promptly notify the Lender in writing in the event of any material damage to the Collateral from any source whatsoever.

(d) The Grantor will not (i) establish any location of Inventory or Equipment not listed on Schedule C, (ii) move its principal place of business, chief executive office or any other office listed on Schedule D, (iii) acquire or open, as applicable, any deposit account or securities account, or acquire any letter of credit issued for the benefit of the Grantor, (iv) create any chattel paper without placing a legend on the chattel paper acceptable to the Lender indicating the Lender's security interest therein, (v) change its legal name or place of formation from that set forth in the preamble to this Agreement, or change its state organizational identification number from that set forth on Schedule D, (vi) fail to preserve its corporate existence, (vii) permit any issuer of Pledged Securities to issue any securities in uncertificated form or seek to convert all or any part of any Pledged Securities into uncertificated form, (viii) permit any issuer of Pledged Limited Liability Company Interests to issue any Limited Liability Company Interests in certificated form or seek to convert all or any part of any Limited Liability Company Interests into certificated form, or (ix) permit any issuer of Pledged Securities or any Pledged Entity to issue any additional Capital Stock or membership interests or any other rights or options with respect thereto, as applicable, other than to the Grantor, except, in each case set forth above, upon not less than 30 days' prior written notice to the Lender and the Grantor's prior compliance with all applicable requirements of Section 5 hereof necessary to perfect the Lender's security interests hereunder.

(e) The Grantor shall not permit any Equipment or Inventory to be in the possession of a third party unless written notice of the Lender's security interest therein has been given to such third party, and such third party has acknowledged in writing that it is holding such Collateral for the benefit of the Lender, such notice and acknowledgement to be in form acceptable to the Lender.

(f) The Grantor shall not withdraw as a member of any Pledged Entity or a partner in any partnership with respect to which the Grantor has pledged any interest, or file or pursue or take any action which may, directly or indirectly, cause a dissolution or liquidation of or with respect to any Pledged Entity or any such partnership or seek a partition of any property of any Pledged Entity or any such partnership.

13. Lender's Rights Regarding Collateral. At any time and from time to time upon the occurrence and during the continuance of an Event of Default, the Lender may, to the extent

necessary or desirable to protect the security hereunder, but the Lender shall not be obligated to, perform any obligation of the Grantor under this Agreement at the expense of the Grantor. At any time and from time to time after an Event of Default has occurred and is continuing, at the expense of the Grantor, the Lender may, but the Lender shall not be obligated to: (i) notify obligors on the Collateral that the Collateral has been assigned as security to the Lender; (ii) request from obligors on the Collateral, in the name of the Grantor or in the name of the Lender, information concerning the Collateral and the amounts owing thereon; and (iii) direct obligors under the Collateral to direct their performance to the Lender. The Grantor shall keep proper books and records and accounts in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all material dealings and transactions pertaining to the Collateral. The Lender shall at all reasonable times have full access to and the right to audit any and all of the Grantor's books and records pertaining to the Collateral, and to confirm and verify the value of the Collateral. The Lender shall not be under any duty or obligation whatsoever to take any action to preserve any rights of or against any prior or other parties in connection with the Collateral, to exercise any voting rights or managerial rights with respect to any Collateral or to make or give any presentments for payment, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonor or notices of any other nature whatsoever in connection with the Collateral or the Secured Obligations. The Lender shall not be under any duty or obligation whatsoever to take any action to protect or preserve the Collateral or any rights of the Grantor therein, or to make collections or enforce payment thereon, or to participate in any foreclosure or other proceeding in connection therewith. Nothing contained herein shall constitute an assumption by the Lender of any obligations of the Grantor under any contracts assigned hereunder. The Grantor shall continue to be liable for performance of its obligations under such contracts.

Nothing contained herein shall be construed to make the Lender liable as a stockholder of any corporation, member of any Pledged Entity or partner in any partnership with respect to which the Grantor has pledged its interests in Pledged Securities, Pledged Limited Liability Company Interests or Pledged Partnership Interests, and the Lender shall not by virtue of this Agreement or otherwise (unless the Lender shall become the absolute owner of any Pledged Securities, Pledged Limited Liability Company Interests or Pledged Partnership Interests pursuant hereto) have any of the duties, obligations or liabilities of a stockholder of any such corporation, member of any such Pledged Entity or partner in such partnership.

14. Collections on the Collateral. Except as provided to the contrary in the Promissory Note, the Grantor shall have the right to use and to continue to make collections on and receive dividends and other proceeds of all of the Collateral in the ordinary course of business so long as no Event of Default shall have occurred and be continuing. Upon the occurrence and during the continuance of an Event of Default, at the option of the Lender, the Grantor's right to make collections on and receive dividends and other proceeds of the Collateral and to use or dispose of such collections and proceeds shall terminate, and any and all dividends, proceeds and collections, including all partial or total prepayments, then held or thereafter received on or on account of the Collateral will be held or received by the Grantor in trust for the Lender and immediately delivered in kind to the Lender (duly endorsed to the Lender, if required), to be applied to the Secured Obligations or held as Collateral, as the Lender shall elect. Upon the occurrence and during the continuance of an Event of Default, the Lender shall have the right at all times to receive, receipt for, endorse, assign, deposit and deliver, in the name of

the Lender or in the name of the Grantor, any and all checks, notes, drafts and other instruments for the payment of money constituting proceeds of or otherwise relating to the Collateral; and the Grantor hereby authorizes the Lender to affix, by facsimile signature or otherwise, the general or special endorsement of the Grantor, in such manner as the Lender shall deem advisable, to any such instrument in the event the same has been delivered to or obtained by the Lender without appropriate endorsement, and the Lender and any collecting bank are hereby authorized to consider such endorsement to be a sufficient, valid and effective endorsement by the Grantor, to the same extent as though it were manually executed by the duly authorized representatives of the Grantor, regardless of by whom or under what circumstances or by what authority such endorsement actually is affixed, without duty of inquiry or responsibility as to such matters, and the Grantor hereby expressly waives demand, presentment, protest and notice of protest or dishonor and all other notices of every kind and nature with respect to any such instrument.

15. Possession of Collateral by Lender. All the Collateral now, heretofore or hereafter delivered to the Lender shall be held by the Lender in its possession, custody and control. None of the Collateral delivered to the Lender constituting cash or cash equivalents shall be required to be held in an interest-bearing account. Upon the occurrence and during the continuance of an Event of Default, the Lender may use, operate and consume such Collateral, whether for the purpose of preserving and/or protecting the Collateral, or for the purpose of performing any of the Grantor's obligations with respect thereto, or otherwise, and any or all of the Collateral delivered to the Lender constituting cash or cash equivalents shall be applied by the Lender to payment of the Secured Obligations or held as Collateral, as the Lender shall elect. The Lender may at any time deliver or redeliver the Collateral or any part thereof to the Grantor, and the receipt of any of the same by the Grantor shall be complete and full acquittance for the Collateral so delivered, and the Lender thereafter shall be discharged from any liability or responsibility arising after such delivery to the Grantor. So long as the Lender exercises reasonable care with respect to any Collateral in its possession, custody or control, the Lender shall not have any liability for any loss of or damage to any Collateral, and in no event shall the Lender have liability for any diminution in value of the Collateral occasioned by economic or market conditions or events. The Lender shall be deemed to have exercised reasonable care within the meaning of the preceding sentence if the Collateral in the possession, custody or control of the Lender is accorded treatment substantially equal to that which the Lender accords similar property for its own account, it being understood that the Lender shall not have any responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Collateral, whether or not the Lender has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any Person with respect to any Collateral.

16. Remedies.

(a) Rights Upon Event of Default. Upon the occurrence and during the continuance of an Event of Default, the Grantor shall be in default hereunder and the Lender shall have, in any jurisdiction where enforcement is sought, in addition to all other rights and remedies that the Lender may have under this Agreement and under applicable laws or in equity, all rights and remedies of a Lender under the Uniform Commercial Code as enacted in any such jurisdiction in effect at that time, and in addition the following rights and remedies, all of which may be exercised with or without notice to the Grantor except such notice as may be specifically

required by applicable law: (i) to foreclose the Liens created hereunder or under any other Loan Document by any available judicial procedure or without judicial process; (ii) to enter any premises where any Collateral may be located for the purpose of securing, protecting, inventorying, appraising, inspecting, repairing, preserving, storing, preparing, processing, taking possession of or removing the same; (iii) to sell, assign, lease or otherwise dispose of any Collateral or any part thereof, either at public or private sale or at any broker's board, in lot or in bulk, for cash, on credit or otherwise, with or without representations or warranties and upon such terms as shall be commercially reasonable; (iv) to notify obligors on the Collateral that the Collateral has been assigned to the Lender and that all payments thereon, or performance with respect thereto, are to be made directly and exclusively to the Lender; (v) to collect by legal proceedings or otherwise all dividends, distributions, interest, principal or other sums now or hereafter payable upon or on account of the Collateral; (vi) to enter into any extension, reorganization, disposition, merger or consolidation agreement, or any other agreement relating to or affecting the Collateral, and in connection therewith the Lender may deposit or surrender control of the Collateral and/or accept other property in exchange for the Collateral as the Lender deems appropriate; (vii) to settle, compromise or release, on terms acceptable to the Lender, in whole or in part, any amounts owing on the Collateral and/or any disputes with respect thereto; (viii) to extend the time of payment, make allowances and adjustments and issue credits in connection with the Collateral in the name of the Lender or in the name of the Grantor; (ix) to enforce payment and prosecute any action or proceeding with respect to any or all of the Collateral and take or bring, in the name of the Lender or in the name of the Grantor, any and all steps, actions, suits or proceedings deemed necessary or desirable by the Lender to effect collection of or to realize upon the Collateral, including, any judicial or nonjudicial foreclosure thereof or thereon, and the Grantor specifically consents to any nonjudicial foreclosure of any or all of the Collateral or any other action taken by the Lender which may release any obligor from personal liability on any of the Collateral, and any money or other property received by the Lender in exchange for or on account of the Collateral, whether representing collections or proceeds of Collateral, and whether resulting from voluntary payments or foreclosure proceedings or other legal action taken by Lender or the Grantor may be applied by the Lender, without notice to the Grantor, to the Secured Obligations in such order and manner as the Lender shall determine; (x) to insure, protect and preserve the Collateral; (xi) to exercise all rights, remedies, powers or privileges provided under any of the other Loan Documents; and (xii) to remove, from any premises where the same may be located, the Collateral and any and all documents, instruments, files and records, and any receptacles and cabinets containing the same, relating to the Collateral, and the Lender may, at the cost and expense of the Grantor, use such of its supplies, equipment, facilities and space at its places of business as may be necessary or appropriate to properly administer, process, store, control, prepare for sale or disposition and/or sell or dispose of the Collateral or to properly administer and control the handling of collections and realizations thereon, and the Lender shall be deemed to have a rent-free tenancy of any premises of the Grantor for such purposes and for such periods of time as reasonably required by the Lender. The Grantor will, at the Lender's request, assemble the Collateral and make it available to the Lender at places which the Lender may designate, whether at the premises of the Grantor or elsewhere, and will make available to the Lender, free of cost, all premises, equipment and facilities of the Grantor for the purpose of the Lender's taking possession of the Collateral or storing the same or removing or putting the Collateral in salable form or selling or

disposing of the same. The Lender has no obligation to clean-up or otherwise prepare the Collateral for sale.

(b) Possession by Lender. Upon the occurrence and during the continuance of an Event of Default, the Lender also shall have the right, without notice or demand, either in person, by Lender or by a receiver to be appointed by a court in accordance with the provisions of applicable law (and the Grantor hereby expressly consents, to the fullest extent permitted by applicable law, upon the occurrence and during the continuance of an Event of Default to the appointment of such a receiver), and, to the extent permitted by applicable law, without regard to the adequacy of any security for the Secured Obligations, to operate the business of the Grantor, by, inter alia, taking possession of the Collateral or any part thereof and to collect and receive the rents, issues, profits, income and proceeds thereof, pending the exercise of any and all other rights and remedies available to the Lender under this Agreement and/or at law or in equity. The operation of the Grantor's business and the taking possession of the Collateral by the Lender shall not cure or waive any Event of Default or notice thereof or invalidate any act done pursuant to such notice. The rights, remedies and powers of any receiver appointed by a court shall be as ordered by said court.

(c) Sale of Collateral. Any public or private sale or other disposition of the Collateral may be held at any office of Lender, or at the Grantor's place of business, or at any other place permitted by applicable law, and without the necessity of the Collateral's being within the view of prospective purchasers. The Lender may direct the order and manner of sale of the Collateral, or portions thereof, as it in its sole and absolute discretion may determine provided such sale is commercially reasonable, and the Grantor expressly waives, to the extent permitted by applicable law, any right to direct the order and manner of sale of any Collateral. The Lender or any Person acting on the Lender's behalf may bid and purchase at any such sale or other disposition. In addition to the other rights of the Lender hereunder, the Grantor hereby grants to the Lender a license or other right to use, without charge, but only after the occurrence and during the continuance of an Event of Default, the Grantor's labels, copyrights, patents, rights of use of any name, trade names, trademarks and advertising matter, or any property of a similar nature, including, the Copyrights, the Patents and the Marks, in advertising for sale and selling any Collateral. The Lender may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

(d) Notice of Sale. 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 will give the Grantor reasonable notice of the time and place of any public sale thereof or of the time on or after which any private sale thereof is to be made. The requirement of reasonable notice conclusively shall be met if such notice is mailed, certified mail, postage prepaid, to the Grantor at its address set forth in the Promissory Note, or delivered or otherwise sent to the Grantor, at least ten days before the date of the sale. The Grantor expressly waives, to the fullest extent permitted by applicable law, any right to receive notice of any public or private sale of any Collateral or other security for the Secured Obligations except as expressly provided for in this paragraph. The Lender shall not be obligated to make any sale of the Collateral if it shall determine not to do so regardless of the fact that notice of sale of the Collateral may have been given. The Lender may, without notice or publication, except as required by applicable law, adjourn the sale from time to

time by announcement at the time and place fixed for sale, and such sale may, without further notice (except as required by applicable law), be made at the time and place to which the same was so adjourned.

(e) Private Sales. With respect to any Collateral consisting of securities, partnership interests, membership interests, joint venture interests or the like, and whether or not any of such Collateral has been effectively registered under the Securities Act of 1933, as amended, or other applicable laws, the Lender may, in its sole and absolute discretion, sell all or any part of such Collateral at private sale in such manner and under such circumstances as the Lender may deem necessary or advisable in order that the sale may be lawfully conducted in a commercially reasonable manner. Without limiting the foregoing, the Lender may (i) approach and negotiate with a limited number of potential purchasers, and (ii) restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing such Collateral for their own account for investment and not with a view to the distribution or resale thereof. In the event that any such Collateral is sold at private sale, the Grantor agrees to the extent permitted by applicable law that if such Collateral is sold for a price which is commercially reasonable, then (A) the Grantor shall not be entitled to a credit against the Secured Obligations in an amount in excess of the purchase price, and (B) the Lender shall not incur any liability or responsibility to the Grantor in connection therewith, notwithstanding the possibility that a substantially higher price might have been realized at a public sale. The Grantor recognizes that a ready market may not exist for such Collateral if it is not regularly traded on a recognized securities exchange, and that a sale by the Lender of any such Collateral for an amount less than a pro rata share of the fair market value of the issuer's assets minus liabilities may be commercially reasonable in view of the difficulties that may be encountered in attempting to sell a large amount of such Collateral or Collateral that is privately traded. Determination by the Lender to exercise its right to sell any or all of the Pledged Securities without registering the Pledged Securities under the Securities Act of 1933 shall not, by the sole fact of such sale, be deemed to be commercially unreasonable.

(f) Title of Purchasers. Upon consummation of any sale of Collateral hereunder, the Lender shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the Collateral so sold absolutely free from any claim or right upon the part of the Grantor or any other Person claiming through the Grantor, and the Grantor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. If the sale of all or any part of the Collateral is made on credit or for future delivery, the Lender shall not be required to apply any portion of the sale price to the Secured Obligations until such amount actually is received by the Lender, and any Collateral so sold may be retained by the Lender until the sale price is paid in full by the purchaser or purchasers thereof. The Lender shall not incur any liability in case any such purchaser or purchasers shall fail to pay for the Collateral so sold, and, in case of any such failure, the Collateral may be sold again.

(g) Disposition of Proceeds of Sale. The proceeds resulting from the collection, liquidation, sale or other disposition of the Collateral shall be applied, first, to the reasonable costs and expenses (including, reasonable attorneys' fees) of retaking, holding, storing, processing and preparing for sale, selling, collecting and liquidating the Collateral, and the like; second, to the satisfaction of all Secured Obligations; and third, any surplus remaining after the

satisfaction of all Secured Obligations, provided the Commitment has expired, to be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus.

(h) Certain Waivers. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands against the Lender arising out of the repossession, retention or sale of the Collateral, or any part or parts thereof, except to the extent any such claims, damages and awards arise out of the gross negligence or willful misconduct of the Lender.

(i) Remedies Cumulative. The rights and remedies provided under this Agreement are cumulative and may be exercised singly or concurrently, and are not exclusive of any other rights and remedies provided by law or equity.

(j) Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to this Section 16 are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Grantor shall remain liable for any deficiency.

17. Lender Appointed Attorney-in-Fact. The Grantor hereby irrevocably appoints the Lender as the Grantor's attorney-in-fact, effective upon and during continuance of an Event of Default, with full authority in the place and stead of the Grantor, and in the name of the Grantor, or otherwise, from time to time, in the Lender's sole and absolute discretion to do any of the following acts or things: (a) to do all acts and things and to execute all documents necessary or advisable to perfect and continue perfected the security interests created by this Agreement and to preserve, maintain and protect the Collateral; (b) to do any and every act which the Grantor is obligated to do under this Agreement; (c) to prepare, sign, file and record, in the Grantor's name, any financing statement covering the Collateral; (d) to endorse and transfer the Collateral upon foreclosure by the Lender; (e) to grant or issue an exclusive or nonexclusive license under the Copyrights, the Patents or the Marks to anyone upon foreclosure by the Lender; (f) to assign, pledge, convey or otherwise transfer title in or dispose of the Copyrights, the Patents or the Marks to anyone upon foreclosure by the Lender; and (g) to file any claims or take any action or institute any proceedings which the Lender may reasonably deem necessary or desirable for the protection or enforcement of any of the rights of the Lender with respect to any of the Copyrights, the Patents and the Marks; provided, however, that the Lender shall be under no obligation whatsoever to take any of the foregoing actions, and the Lender shall not have any liability or responsibility for any act or omission (other than the Lender's own gross negligence or willful misconduct) taken with respect thereto.

18. Costs and Expenses. The Grantor agrees to pay to the Lender all reasonable costs and out-of-pocket expenses (including, reasonable attorneys' fees and disbursements) incurred by the Lender in the enforcement or attempted enforcement of this Agreement, whether or not an action is filed in connection therewith, and in connection with any waiver or amendment of any term or provision hereof. All reasonable advances, charges, costs and expenses, including, reasonable attorneys' fees and disbursements, incurred or paid by the Lender in exercising any right, privilege, power or remedy conferred by this Agreement (including, the right to perform any obligation of the Grantor), or in the enforcement or attempted enforcement thereof, shall be secured hereby and shall become a part of the Secured Obligations and shall be due and payable to the Lender by the Grantor on demand therefor.

19. Transfers and Other Liens. The Grantor agrees that, except as specifically permitted under the Promissory Note, it will not (i) sell, assign, exchange, lease, license, transfer or otherwise dispose of, or contract to sell, assign, exchange, transfer or otherwise dispose of, or grant any option with respect to, any of the Collateral, or (ii) create or permit to exist any Lien upon or with respect to any of the Collateral, and the Grantor acknowledges that the Lender does not authorize any of the foregoing. To the extent any Collateral permitted to be sold or otherwise disposed of is sold or disposed of, such sale or disposition shall be for fair market value.

20. Understandings With Respect to Waivers and Consents. The Grantor represents, warrants and agrees that each of the waivers and consents set forth herein are made with full knowledge of their significance and consequences, with the understanding that events giving rise to any defense or right waived may diminish, destroy or otherwise adversely affect rights which the Grantor otherwise may have against the Lender or others, or against any Collateral. If any of the waivers or consents herein are determined to be unenforceable under applicable law, such waivers and consents shall be effective to the maximum extent permitted by law.

21. Indemnity. The Grantor hereby indemnifies the Lender from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, enforcement of this Agreement), except to the extent such claims, losses or liabilities result from the Lender's gross negligence or willful misconduct.

22. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Grantor herefrom (other than supplements to the Schedules hereto in accordance with the terms of this Agreement) shall in any event be effective unless the same shall be in writing and made in accordance with Section 10 of the Promissory Note, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

23. Notices. All notices and other communications provided for hereunder shall be given in the manner, and to the respective addresses, set forth in Section 12 of the Promissory Note.

24. Continuing Security Interest; Successors and Assigns. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until indefeasible payment in full in cash of the Obligations and the Secured Obligations and the termination or expiration of the Commitment, (ii) be binding upon the Grantor, its successors and assigns and (iii) inure, together with the rights and remedies of the Lender hereunder, to the benefit of the Lender and its successors and assigns. Nothing set forth herein or in any other Loan Document is intended or shall be construed to give to any other party any right, remedy or claim under, to or in respect of this Agreement or any other Loan Document or any Collateral. The Grantor's successors and assigns shall include, without limitation, a receiver, trustee or debtor-in-possession thereof or therefor, provided that, none of the rights or obligations of the Grantor hereunder may be assigned or otherwise transferred.

25. **GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH,**


**THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO
CONFLICTS OF LAWS PRINCIPLES.**

26. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

IN WITNESS WHEREOF, the Grantor has executed this Agreement by its duly authorized representative(s) as of the date first written above.

GRANTOR

ALEXIA FOODS, INC.

By: 
Name: Alexander Deidunychi
Title: President

PLEDGED COLLATERAL

1. Pledged Shares
None.

2. Pledged Partnership Interests
None.

3. Pledged Limited Liability Company Interests
None.

Logan International
100 Logan Drive
Boardman, OR 97818
Attention: Jerry Callahan

Mesa Cold Storage, Ltd.
146 South Country Club Drive
Mesa, AZ 85210
Attention : Sherry Perry

United States Cold Storage, Inc.
601 Twin Rail Drive
Monooka, IL 60447
Attention : Jennifer Flatneff

Versacold Group
5600 76th Avenue SE
Calgary, Alberta T2C 4N4
Attention : Jan Perrault

Versacold Cliveden Center
836 Cliveden Avenue
Annacis Island
Delta, BC V3M 5R5

John Copes Food Products, Inc.
52 Industrial Road
Elizabethtown, PA 17022
Attention: Mr. Larry Jones

LOCATIONS OF BOOKS AND RECORDS

1. Chief Executive Office

37 Greenpoint Avenue, 5th Floor
Brooklyn, NY 11222

2. Locations of Account Records and Chattel Paper

37 Greenpoint Avenue, 5th Floor
Brooklyn, NY 11222

DEPOSIT ACCOUNTS, CERTAIN INVESTMENT PROPERTY AND LETTERS OF CREDIT

1. Deposit Accounts

Name and Address of
Institution Holding Account

Account No.

JP Morgan Chase Bank
798 Manhattan Avenue
Brooklyn, NY 11222
Contact : Fred Bomba
Telephone: (718) 392-6106
Fax: (718) 349-1258

REDACTED

2. Securities Accounts and Other Investment Property

Description of Asset

Account No.

Name and Address of
Institution Holding Account

None.

3. Letters of Credit Issued for the Benefit of the Grantor

None.

UCC FILING OFFICE

Delaware

FORM OF LIMITED LIABILITY COMPANY NOTICE

TO: [Name of Pledged Entity]

Notice is hereby given that, pursuant to the Security Agreement dated as of September 9, 2004 (said Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time, the "Security Agreement"), made by Alexia Foods, Inc. (the "Grantor"), in favor of Union Bank of California, N.A. (the "Lender"), the Grantor has pledged and assigned to the Lender, and granted to the Lender a continuing security interest in, all right, title and interest of the Grantor, whether now existing or hereafter arising or acquired, as a member in [NAME OF PLEDGED ENTITY] (the "Limited Liability Company"), and in, to and under the [TITLE OF APPLICABLE LIMITED LIABILITY COMPANY AGREEMENT] (said Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time, the "Limited Liability Company Agreement"), as such security interest is more particularly described in the Security Agreement.

Pursuant to the Security Agreement, the Limited Liability Company is hereby authorized and directed to register the Grantor's pledge to the Lender of the interest of the Grantor on the Limited Liability Company's books.

The Grantor hereby requests the Limited Liability Company to indicate the Limited Liability Company's acceptance of this Notice and consent to and confirmation of its terms and provisions by signing a copy hereof where indicated on the attached page and returning the same to the Lender.

ALEXIA FOODS, INC.

By: _____
Name: _____
Title: _____

FORM OF ACKNOWLEDGMENT

[NAME OF PLEDGED ENTITY] (the "Limited Liability Company") hereby acknowledges receipt of a copy of the assignment by Alexia Foods, Inc. (the "Grantor") of its interest under the [TITLE OF APPLICABLE LIMITED LIABILITY COMPANY AGREEMENT] (as it may be amended, restated, supplemented or otherwise modified from time to time) pursuant to the terms of the Security Agreement dated as of September 9, 2004 (as it may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof), made by the Grantor in favor of Union Bank of California, N.A. (the "Lender"). The undersigned hereby further confirms the registration of the Grantor's pledge of its interest to the Lender on the Limited Liability Company's book. The undersigned acknowledges the control by the Lender of the Grantor's interest in the Limited Liability Company and confirms that the undersigned shall act upon the direction of the Lender alone with respect to such interest.

Dated: _____, _____

[NAME OF PLEDGED ENTITY]

By: _____
Name: _____
Title: _____