07-26-2005

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Form PTO-1594
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)

RECORDATION FORM COVER SHEET

TRADEMARKS ONLY

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

Tab settings ⇨⇨⇨ ▼ ▼ ▼ ▼ ▼ ▼ ▼

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

6-15-05

1. Name of conveying party(ies):

ALTERNA HOLDINGS CORP.

☐ 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: JUNE 13, 2005

4. Application number(s) or registration number(s):

A. Trademark Application No.(s) 78-404,394 / 78-383,632 / 78-377,856 / 78-376,561

B. Trademark Registration No.(s) 2,957,634 / 2,777,172 / 2,777,171 / 2,701,733 / 2,699,324 / 2,617,597 / 2,426,995 / 2,410,914 / 2,276,538 / 2,243,924 / 2,190,320 / 2,183,428 / 2,176,239 / 2,074,617 / 2,067,782

Additional number(s) attached ☐ Yes ☒ No

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

Name BRIAN S. STERN, ESQ.

Internal Address

PILLSBURY WINTHROP SHAW PITTMAN 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.

BRIAN S. STERN		6/14/05
Name of Person Signing	Signature	Date

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

SECURITY AGREEMENT

This SECURITY AGREEMENT ("Agreement") is dated as of June 13, 2005, and made by ALTERNA HOLDINGS CORP., a Delaware corporation (the "Grantor"), in favor of UNION BANK OF CALIFORNIA, N.A. ("UBOC"), as agent (in such capacity, the "Agent") for itself under the Promissory Note (as defined below) and for itself and certain Lenders under the Credit Agreement (each as defined below).

RECITALS

A. The Grantor has executed in favor of UBOC that certain Promissory Note dated April 13, 2005 (as it may be amended, restated or supplemented from time to time, the "Promissory Note"), pursuant to which UBOC has agreed to make Revolving Loans and a Term Loan to the Grantor on the terms and conditions set forth therein. The Promissory Note requires the Grantor to execute and deliver to UBOC, within 60 days after the Closing Date (as defined in the Promissory Note), certain security and related documentation, including but not limited to this Security Agreement.

B. Separately, it is possible that the Grantor may request that UBOC act as administrative agent and as a lender under a credit agreement which would amend and restate, and extend the term of, the Promissory Note. Such credit agreement would be among the Grantor, lenders from time to time party thereto (the "Lenders"), and UBOC, as agent for such Lenders (in such capacity, the "Agent") (any such credit agreement, as it may be amended, restated, supplemented or otherwise modified from time to time, being called the "Credit Agreement"). (For the avoidance of doubt, the parties hereto confirm that as of the date hereof UBOC has not committed in any respect to enter into any such Credit Agreement, to extend the term of, or otherwise modify, the Promissory Note, or to otherwise extend additional credit to the Grantor.)

C. It is the intent of the Grantor and UBOC that (i) prior to the effectiveness of any such Credit Agreement, (1) each reference in this Agreement to the Agent, the Lender or the Lenders shall be deemed to refer to UBOC in its individual capacity as lender under the Promissory Note, (2) each reference to the Credit Agreement shall be deemed to refer to the Promissory Note and (3) unless otherwise indicated, each capitalized term used herein and not defined herein shall have the respective meaning assigned to such term in the Promissory Note and (ii) on and after the effectiveness of any such Credit Agreement, (1) each reference in this Agreement to the Agent shall be deemed to refer to the Agent (as defined in such Credit Agreement), (2) unless otherwise indicated, each capitalized term used herein and not defined herein shall have the respective meaning assigned to such term in the Credit Agreement, (3) each reference to a Lender or the Lenders shall be deemed to refer to the Lenders as defined herein party to the Credit Agreement and not UBOC in its individual capacity under the Promissory Note and (4) the rules of interpretation set forth in Section 1.2 of the Credit Agreement shall be incorporated herein by reference.

AGREEMENT

NOW, THEREFORE, for 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 Credit Agreement 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, leases, licenses, contract rights, health-care-insurance receivables, letter-of-credit rights and other 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, payment intangibles, agreements, guarantees, contracts, contract rights, 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, 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 are 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, including all furniture, fixtures, furnishings, machinery, automobiles, trucks, other vehicles, spare parts, supplies, equipment and 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, 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 (collectively, the "Proceeds").

Notwithstanding anything herein to the contrary, in no event shall the security interest granted herein attach to, and the Collateral shall not include, (i) that portion of the outstanding capital stock of each Subsidiary organized or existing under the laws of a jurisdiction located outside of the United States that exceeds an aggregate of 65% of such capital stock entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2)), whether now owned or hereafter acquired and which may be issued and outstanding at any time and from time to time, or (ii) any governmental permit or any license, contract or agreement to which the Grantor is a party to the extent that the collateral assignment thereof or the creation of a security interest therein would constitute a breach of the terms of such permit, license, contract or agreement, or would permit the relevant governmental authority or any party to such agreement to terminate such permit, license, contract or agreement, except the Collateral expressly shall include any Proceeds of any of the foregoing assets; provided that, any permit, license, contract or agreement excluded in accordance with the foregoing shall cease to be so excluded (x) to the extent such term is, or would be (in the case of after-acquired property or changes to applicable law), rendered ineffective under Sections 9-406, 9-407, 9-408 or 9-409 of the UCC of any relevant jurisdiction (or any successor provision) or any other applicable law (including the United States Bankruptcy Code) or principles of equity (as determined by an applicable court); or (y) if the Grantor has obtained all of the consents of such governmental authority or the other parties to such license, contract or agreement necessary for the collateral assignment of, or creation of a security interest in, such permit, license, contract or agreement; provided further that, immediately upon the ineffectiveness, lapse or termination of any such term in any such permit, license, contract or agreement, the Collateral shall include, and the Grantor shall be deemed to have granted a security interest in, all such rights and interests as if such provision had never been in effect.

"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 Secured Party's 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.

"Levlad Premises" means those premises owned or operated by Levlad, Inc. at which the Grantor owns or maintains, as of the date hereof, certain Inventory.

"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 trademark registrations and applications 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.

"Material Copyrights" means Copyrights that are or shall be necessary in the operation of the Grantor's business (as reasonably determined by the Grantor or, upon the occurrence and during the continuance of an Event of Default, as determined by the Agent in its sole and absolute discretion) or the loss of which could reasonably be expected to have a Material Adverse Effect.

"Material Marks" means Marks that are or shall be necessary in the operation of the Grantor's business (as reasonably determined by the Grantor or, upon the occurrence and during the continuance of an Event of Default, as determined by the Agent in its sole and absolute discretion) or the loss of which could reasonably be expected to have a Material Adverse Effect.

"Material Patents" means Patents that are or shall be necessary in the operation of the Grantor's business (as reasonably determined by the Grantor or, upon the occurrence and during the continuance of an Event of Default, as determined by the Agent in its sole and absolute discretion) or the loss of which could reasonably be expected to have a Material Adverse Effect.

"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, other 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 (whether in certificated or uncertificated form) 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 (whether in certificated or uncertificated form) 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 and other equity interests (other than Pledged Limited Liability Company Interests and Pledged Partnership Interests) of any issuer (whether in certificated or uncertificated form) in which the Grantor has an interest, including those shares of stock and other such equity interests 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.

"Secured Party" means, collectively, the Agent, the Lenders and each counterparty to an interest rate hedge agreement entered into pursuant to the Credit Agreement, provided that such counterparty is (or was at the time such interest rate hedge agreement was entered into) a Lender or an affiliate or Subsidiary of a Lender.

2. Creation of Security Interest. The Grantor hereby assigns and pledges to the Agent for the ratable benefit of the Secured Party, and grants to the Agent for the ratable benefit of the Secured Party, 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, the Obligations.

4. Delivery of Pledged Collateral.

(a) Each Certificate shall, on (i) the date hereof (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 date hereof, other than that portion of the outstanding capital stock of each foreign Subsidiary that exceeds an aggregate of 65% of such capital stock entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2))), be delivered to and held by the Agent on behalf of the Secured Party 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 Agent.

(b) With respect to each Limited Liability Company Interest, on (i) the date hereof (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 date hereof, other than that portion of the outstanding capital stock of each foreign Pledged Entity that exceeds an aggregate of 65% of such capital stock entitled to vote (within the meaning of Treas. Reg. Section 1.956-2(c)(2))) 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 applicable Pledged Entity, notifying such Pledged Entity of the existence of this Agreement and the Grantor shall have received and delivered to the Agent 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 Agent 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 Agent or any of its nominees any or all of the Pledged Collateral. In addition, the Agent 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 Agent, the Grantor shall execute and deliver to the Agent, at the Grantor's expense, all instruments, certificates and documents in form and substance reasonably satisfactory to the Agent, authorize the filing of such financing statements, and perform all such other acts, as in each case shall be necessary or desirable to fully perfect or protect or maintain, when filed, recorded, delivered or performed, the Secured Party's security interests granted pursuant to this Agreement or to enable the Agent and the Lenders 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 reasonable request of the Agent, 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 Agent, indicating that such document, contract, chattel paper, instrument or Collateral is subject to the security interests granted hereby; (ii) at the request of the Agent, if any Account or contract or other writing relating thereto shall be evidenced by a promissory note or other instrument in a principal amount exceeding $50,000 or if the aggregate amount of such promissory notes or other instruments exceeds $100,000, deliver and pledge to the Agent, for the ratable benefit of the Secured Party, such note(s) and/or other instrument(s) duly endorsed and accompanied by duly executed undated instruments of transfer or assignment, all in form and substance reasonably satisfactory to the Agent; (iii) authorize the filing of such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Agent 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, at the Agent's request execute and deliver to the Agent 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 Agent; (v) upon the Grantor's registration, or application therefor, of any Patent or Mark, at the Agent's request execute and deliver to the Agent 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 reasonably satisfactory to the Agent; (vi) at the request of the Agent, cause control agreements, in form and substance reasonably satisfactory to the Agent, to be executed by all parties necessary to establish "control" under the Uniform Commercial Code with respect to all deposit accounts and securities accounts of the Grantor; and (vii) at the request of the Agent, enter into arrangements in form and substance satisfactory to the Agent that are necessary to establish "control" under the Uniform Commercial Code with respect to all investment property, letter-of-credit rights and electronic chattel paper of the Grantor. The Grantor has represented to the Agent that Account Number 613206509 held at Guaranty Bank (the "Guaranty Account") currently has a total balance of less than $19,000 and will be closed by the Grantor in the near future. The Grantor shall deliver to the Agent, on or before August 12, 2005, either (i) a control agreement, as described above in subsection (a)(vi) of this Section 5, with respect to the Guaranty Account or (ii) a letter from Guaranty Bank confirming the closure of the Guaranty Account or such other documentation acceptable to the Agent evidencing the closure of the Guaranty Account.

(b) At any time and from time to time, the Agent 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 Agent may deem appropriate to perfect and to maintain perfected the security interests granted herein.

(c) The Grantor hereby authorizes the Agent 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 Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Agent may reasonably request including the following: (i) if the Grantor obtains any rights or interests in any Deposit Accounts, securities accounts or other investment property (other than that referred to on Schedule A), 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, securities accounts or other investment property; (ii) if the Grantor publishes or registers, or applies 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; (iii) if the Grantor obtains 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; (iv) if the Grantor obtains 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; and (v) if the Grantor receives or acquires 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 Secured Party'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 Agent of the acquisition thereof and (ii) at the request of the Agent, cause such security interest to be noted on such certificate of title, in each case if the individual value of the Collateral evidenced by the certificate of title exceeds $50,000 or if the aggregate value of all Collateral evidenced by certificates of title exceeds $100,000; provided that upon the occurrence and during the continuance of an Event of Default, the Grantor shall cause the

Secured Party's security interest to be noted on any certificate of title requested by the Agent, regardless of the value of the underlying Collateral.

(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 the fullest extent permitted under applicable laws to accept the provisions of this Agreement as conclusive evidence of the right of the Agent to effect any transfer or exercise any right hereunder or with respect to any such Collateral subject to the terms hereof, 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.

(g) Upon the Grantor's obtaining any rights or interests in any tangible chattel paper or electronic chattel paper having a value in excess of $50,000 or if the aggregate value of all tangible chattel paper and electronic chattel paper exceeds $100,000, the Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, promptly notify the Agent of such rights or interests; provided that upon the occurrence and during the continuance of an Event of Default, the Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, promptly notify the Agent of such rights or interests, regardless of its value.

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 (including all voting, consent, administration, management and other rights and remedies under any partnership agreement or any operating agreement or otherwise with respect to the Pledged Securities, the Pledged Partnership Interests or the Pledged Limited Liability Company Interests), or any part thereof, for any purpose not in violation of the terms of this Agreement, the Credit Agreement 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 Credit Agreement, 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 non-cash distributions in the form of certificated 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) upon the occurrence and during the continuance of an Event of Default, dividends and other distributions paid or payable 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) upon the occurrence and during the continuance of an Event of Default, 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 Agent to be held as Collateral or applied to the Obligations in accordance with the Credit Agreement, as the Agent may elect; and, if received by the Grantor, shall be received in trust for the benefit of the Secured Party, be segregated from the other property of the Grantor and forthwith be delivered to the Agent in the same form as so received (with any necessary endorsements).

7. Rights as to Pledged Collateral During Event of Default. Upon delivery of notice to the Grantor that an Event of Default has occurred and is continuing:

(a) Voting, Dividend and Distribution Rights. At the option of the Agent, 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 Agent who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and to hold as Pledged Collateral 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 Secured Party, shall be segregated from other funds of the Grantor and forthwith shall be paid over to the Agent as Collateral in the same form as so received (with any necessary endorsements).

(c) Registration. Determination by the Agent to exercise its right to sell pursuant to Section 16 hereof any or all of the Pledged Securities without registering the Pledged Securities under the Securities Act of 1933 shall not be deemed to be commercially unreasonable solely by virtue of the fact that the Pledged Securities were not so registered (provided that any such sale shall be conducted in accordance with the Uniform Commercial Code and other applicable laws).

8. Irrevocable Proxy. The Grantor hereby revokes all previous proxies (if any) with regard to the Pledged Securities, the Pledged Partnership Interests (if such interests are limited partnership interests) and the Pledged Limited Liability Company Interests and appoints the Agent 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 Agent), 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 or Pledged Partnership Interests are transferred into the name of the Agent), 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 on its Limited Liability Company Interests or Pledged Partnership Interests or had personally signed the consents, waivers or ratifications; provided, however, that the revocation of existing proxies (if any) shall not be effective until, and the Agent as proxyholder and attorney-in-fact shall have rights hereunder only upon, the occurrence and during the continuance of an Event of Default. The Grantor hereby authorizes the Agent to substitute another Person (which Person shall be a successor to the rights of the Agent hereunder or a nominee appointed by the Agent 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, limited partnership or limited liability company. This proxy is coupled with an interest and is irrevocable until such time as each commitment under the Credit Agreement and any applicable bankruptcy preference period has expired and all Obligations have been paid in full.

9. Copyrights.

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

(b) Restrictions on Future Agreements. Subject to the terms hereof and of the Credit Agreement, the Grantor shall be permitted to manage, license and administer its Copyrights and to become a licensee of other copyrights in such manner as the Grantor in its reasonable business judgment deems desirable; provided, however, that the Grantor will not, without the Agent's prior written consent (which consent shall not be unreasonably withheld), (i) abandon any Material Copyright in which the Grantor now owns or hereafter acquires any rights or interests or (ii) enter into any license agreements in which the Grantor licenses any of its Material Copyrights to another Person.

(c) Duties of Grantor. The Grantor agrees to: (i) prosecute diligently any Material Copyright, (ii) upon the occurrence and during the continuance of an Event of Default, make application for registration of such uncopyrighted but copyrightable material owned by the Grantor as the Agent reasonably deems appropriate, (iii) place notices of copyright on all copyrightable property produced or owned by the Grantor embodying the Material Copyrights and cause its licensees to do the same, and (iv) take all action necessary (as reasonably determined by the Grantor or, upon the occurrence and during the continuance of an Event of Default, as determined by the Agent in its sole and absolute discretion) to preserve and maintain all rights in the Material Copyrights, including making timely filings for renewals and extensions of such Copyrights and diligently monitoring unauthorized use thereof. Any expenses incurred in connection with the foregoing shall be borne by the Grantor. The Grantor shall give proper statutory notice in connection with its use of each Material Copyright to the extent necessary (as reasonably determined by the Grantor or, upon the occurrence and during the continuance of an Event of Default, as determined by the Agent in its sole and absolute discretion) for the protection thereof. The Grantor shall notify the Agent of any suits it commences to enforce any Copyright and shall provide the Agent with copies of any documents reasonably requested by the Agent relating to such suits. Neither the Agent nor the Lenders shall 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, neither the Agent nor the Lenders shall be under any obligation to take any steps necessary to preserve rights in the Copyrights against any other party, but the Agent may do so at its option upon the occurrence and during the continuance of an Event of Default, and all reasonable costs and out-of-pocket expenses incurred in connection therewith shall be for the account of the Grantor and shall be added to the Obligations.

10. Patents and Marks.

(a) Royalties. The Grantor hereby agrees that any rights granted hereunder to the Agent 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 Agent or the Lenders to the Grantor.

(b) Restrictions on Future Agreements. Subject to the terms hereof and of the Credit Agreement, the Grantor shall be permitted to manage, license and administer its Patents and Marks and to become a licensee of other patents and trademarks in such manner as the Grantor in its reasonable business judgment deems desirable; provided, however, that the Grantor will not, without the Agent's prior written consent (which consent shall not be unreasonably withheld), (i) abandon any Material Patent or Material Mark in which the Grantor now owns or hereafter acquires any rights or interests or (ii) enter into any license agreements pursuant to which the Grantor licenses any Material Patent or Material Mark to another Person.

(c) Duties of Grantor. The Grantor agrees to: (i) prosecute diligently any Material Patent and Material Mark, (ii) upon the occurrence and during the continuance of an Event of Default, make application on unpatented but patentable inventions owned by the Grantor and on unregistered Marks, as the case may be, as the Agent reasonably deems appropriate, (iii) file and prosecute opposition and cancellation proceedings in respect of Material Patents and Material Marks if reasonably determined by the Grantor to be necessary (or upon the occurrence and during the continuance of an Event of Default, as determined by the Agent in its sole and absolute discretion) and (iv) take all action necessary (as reasonably determined by the Grantor or, upon the occurrence and during the continuance of an Event of Default, as determined by the Agent in its sole and absolute discretion) to preserve and maintain all rights in the Material Patents and Material Marks, including making timely filings for renewals and extensions of such 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 give proper statutory notice in connection with its use of each Material Mark and each Material Patent to the extent necessary (as reasonably determined by the Grantor or, upon the occurrence and during the continuance of an Event of Default, as determined by the Agent in its sole and absolute discretion) for the protection thereof. The Grantor shall notify the Agent of any suit it commences to enforce any Patent or Mark and shall provide the Agent with copies of any documents reasonably requested by the Agent relating to such suit. Neither the Agent nor the Lenders shall 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, neither the Agent nor the Lenders shall be under any obligation to take any steps necessary to preserve rights in the Patents and Marks against any other party, but the Agent may do so at its option upon the occurrence and during the continuance of an Event of Default, and all reasonable costs and out-of-pocket expenses incurred in connection therewith shall be for the account of the Grantor and shall be added to the Obligations.

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

(a) (i) Schedule C sets forth each location at which (A) Inventory and/or Equipment is located and (B) the Grantor conducts business and, with respect to each such location, whether the Grantor is duly qualified and in good standing under the laws of such location; (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) the Grantor has exclusive possession and control of the Equipment and the Inventory, except as set forth on Schedule C (and provided that Schedule C shall provide, with respect to such Equipment and Inventory, its description, location and approximate value (as reasonably determined by the Grantor)); (v) the Grantor's exact legal name, and the place of formation of the Grantor, are as set forth in the preamble to this Agreement; (vi) each trade name or other fictitious name under which the Grantor conducts business, or has conducted business at any time during the five years immediately preceding the Closing Date, is set forth on Schedule B; and (vii) the Grantor's state organizational identification number, if any, is set forth on Schedule F.

(b) The Grantor is the legal and beneficial owner of the Collateral free and clear of all Liens except for Liens permitted by the Credit Agreement. 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 an appropriate financing statement in the filing office 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 the deposit accounts and the securities accounts of the Grantor, the giving of a Limited Liability Company Notice to the Pledged Entities (and the receipt of a Limited Liability Company Acknowledgment from such Pledged Entities), the execution of bailee letters with respect to certain Collateral held by third parties, the Agent's exercise of "control" under the Uniform Commercial Code with respect to all investment property, letter-of-credit rights and electronic chattel paper of the Grantor, the delivery to the Agent of the Certificates, and the notation of the Secured Party's security interest on certificates of title to the extent required for perfection or priority, as the case may be, the Agent for the ratable benefit of the Secured Party will have a first-priority perfected security interest (except for Liens permitted by the Credit Agreement) in the Collateral to the extent a security interest in such Collateral can be perfected by such filings, recordations, the giving of such notices (and receipt of such acknowledgments), letters, agreements, the exercise of control, the delivery of such Certificates and the notation of such security interest.

(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 and Pledged Limited Liability Company Interests are in certificated form and are securities (as contemplated by Article 8 of the Uniform Commercial Code) other than the interests of the Grantor in the Netherlands Subsidiary, which are uncertificated.

(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 except for those consents which have been made or obtained prior to the effectiveness of such pledge.

(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 owned by the Grantor and (ii) the Grantor's respective percentage ownership 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 (i) such authorizations, approvals and other actions as have already been taken and are in full force and effect, (ii) the filing of a UCC-1 financing statement in favor of the Agent with the Delaware Secretary of State indicating the Grantor as a debtor and (iii) the recordation and filing in the United States Patent and Trademark Office of the U.S. Patents and Marks listed in Schedule B) 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 and delivery or performance of this Agreement by the Grantor, or (B) for the exercise by the Agent 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, (ii) all of the Grantor's securities accounts and other investment property (other than that referred to on Schedule A) and (iii) 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 fair market value in excess of $50,000.

(j) The Grantor maintains certain Inventory at the Levlad Premises. The Grantor intends to transfer such Inventory to certain premises owned or operated by Cosway Company, Inc. In the event that such transfer does not occur within 60 days from the date hereof, the Agent shall receive notice and acknowledgment, as described in Section 12(f) of this Agreement, of the Secured Party's security interest in such Inventory maintained at the Levlad Premises.

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) [Intentionally Omitted]

(b) 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 under the Credit Agreement to be carried in connection therewith.

(c) The Grantor shall keep all Collateral in good working order and condition (ordinary wear and tear and casualty excepted) and from time to time make all necessary and proper repairs, renewals, replacements, additions and improvements thereto, subject to terms of the Credit Agreement.

(d) The Grantor will promptly notify the Agent in writing in the event of any material damage to the Collateral from any source whatsoever including prompt written notice of all insurance and condemnation proceeds received by it or any Subsidiary on or after the date hereof in excess of $50,000 per occurrence.

(e) The Grantor will (i) except as contemplated in Section 11(j) of this Agreement, not establish any location of Inventory or Equipment not listed on Schedule C, (ii) not move its principal place of business, chief executive office or any other office listed on Schedule D, (iii) not adopt, use or conduct business under any trade name or other corporate or fictitious name not disclosed on Schedule B, (iv) not acquire or open, as applicable, any deposit account or securities account, or acquire any letter of credit issued for the benefit of the Grantor, (v) not create any chattel paper having a value in excess of $50,000 (or an aggregate value of $100,000) without placing a legend on the chattel paper reasonably acceptable to the Agent indicating the Agent's security interest therein, (vi) not change its legal name, its place of incorporation, formation or organization (as applicable) or its state organizational identification number, from those specified in the preamble to this Agreement and Schedule F; (vii) preserve its legal existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other Person, or sell all or substantially all of its assets; (viii) not permit any issuer of Pledged Securities, other than issuers located in jurisdictions where securities are not typically in certificated form, to issue any securities in uncertificated form or seek to convert all or any part of any Pledged Securities into uncertificated form (as contemplated by Article 8 of the Uniform Commercial Code), (ix) not permit any issuer of Pledged Limited Liability Company Interests, other than issuers located in jurisdictions where Limited Liability Company Interests are not typically in certificated form, to issue any Limited Liability Company Interests in uncertificated form, seek to convert all or any part of any Limited Liability Company Interests into uncertificated form or render any Limited Liability Company Interests to no longer be a security (as contemplated by Article 8 of the Uniform Commercial Code), or (x) not 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 in clauses (i)-(x) above, upon not less than 30 days' prior written notice to the Agent and the Grantor's prior compliance with all applicable requirements of Section 5 hereof necessary to perfect the Secured Party's security interests hereunder, and in each case subject to the terms of the Credit Agreement.

(f) Subject to the terms of the Credit Agreement and Section 11(j) of this Agreement, the Grantor shall not permit any Equipment or Inventory to be in the possession of a third party unless written notice of the Secured Party'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 Secured Party, such notice and acknowledgement to be in form acceptable to the Secured Party (provided that the Secured Party shall not exercise any right under such notice and acknowledgment to take possession of such Equipment or Inventory unless and until an Event of Default has occurred and is continuing).

(g) Except as permitted by the terms of the Credit Agreement, 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.

(h) The Grantor shall promptly notify the Agent in writing in the event that the Grantor becomes a licensee of any Material Copyright, Material Mark or Material Patent, other than those set forth on Schedule B, and shall execute any and all documents, instruments or agreements and perform any and all actions reasonably requested by the Agent to give a collateral assignment thereof including procuring the consent of the licensor thereto.

13. Agent's Rights Regarding Collateral. At any time and from time to time, the Agent may, to the extent necessary or desirable to protect the security hereunder, but the Agent shall not be obligated to: (a) (whether or not a Default has occurred) itself or through its representatives, visit and inspect the Grantor's properties and examine and make abstracts from any of its books and records at any reasonable time to discuss the business, operations, properties and financial and other condition of the Grantor with officers of the Grantor or (b) if an Event of Default has occurred and is continuing, at the expense of the Grantor, perform any obligation of the Grantor under this Agreement. 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 Agent (for the benefit of the Secured Party) may, to the extent necessary or desirable to protect the security hereunder, but the Agent shall not be obligated to: (i) notify obligors on the Collateral that the Collateral has been

assigned as security to the Agent for the benefit of the Secured Party; (ii) at any time and from time to time request from obligors on the Collateral, in the name of the Grantor or in the name of the Secured Party, information concerning the Collateral and the amounts owing thereon; and (iii) direct obligors under the contracts included in the Collateral to which the Grantor is a party to direct their performance to the Agent. The Grantor shall keep proper books and records and accounts in which full, true and correct entries in conformity with GAAP and all material applicable requirements of law shall be made of all material dealings and transactions pertaining to the Collateral. Neither the Agent nor the Lenders shall 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 Obligations. Neither the Agent nor the Lenders shall 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 Agent or the Lenders of any obligations of the Grantor under any contracts assigned hereunder unless the Agent shall have given written notice to the counterparty to such assigned contract of the Agent's intention to assume such contract on behalf of the Secured Party. The Grantor shall continue to be liable for performance of its obligations under such contracts.

Nothing contained herein shall be construed to make the Agent or any 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 neither the Agent nor any Lender by virtue of this Agreement or otherwise (except as referred to in the following sentence) shall 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. The parties hereto expressly agree that, unless the Agent shall become the absolute owner of any Pledged Securities or Pledged Limited Liability Company Interests or Pledged Partnership Interests pursuant hereto, this Agreement shall not be construed as creating a partnership or joint venture among the Agent, any Lender, any such corporation, any such Pledged Entity or any such partnership and/or the Grantor. Except as provided in the immediately preceding sentence, the Agent, by accepting this Agreement, does not intend to become 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 any Pledged Securities, Pledged Limited Liability Company Interests or Pledged Partnership Interests, or otherwise be deemed to be a co-venturer with respect to the Grantor or any such corporation, Pledged Entity or partnership, either before or after an Event of Default shall have occurred.

14. Collections on the Collateral. Except as provided to the contrary in the Credit Agreement, 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 Agent, 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 Secured Party and immediately delivered in kind to the Agent (duly endorsed to the Agent, if required), to be applied to the Obligations or held as Collateral, as the Agent shall elect. Upon the occurrence and during the continuance of an Event of Default, the Agent shall have the right at all times to receive, receipt for, endorse, assign, deposit and deliver, in the name of the Agent or the Secured Party 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 Agent to affix, by facsimile signature or otherwise, the general or special endorsement of the Grantor, in such manner as the Agent shall deem advisable, to any such instrument in the event the same has been delivered to or obtained by the Agent without appropriate endorsement, and the Agent 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 Agent. All the Collateral now, heretofore or hereafter delivered to the Agent shall be held by the Agent in its possession, custody and control for the benefit of the Secured Party. Any or all of the Collateral delivered to and held and maintained by the Agent constituting cash or cash equivalents shall, prior to the occurrence of any Event of Default, upon written request of the Grantor, be held in an interest-bearing account with the Agent, and shall be invested in investments permitted by the terms of the Credit Agreement. Nothing herein shall obligate the Agent to obtain any particular return thereon. Upon the occurrence and during the continuance of an Event of Default, whenever any of the Collateral is in the Agent's possession, custody or control, the Agent may use, operate and consume the 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, subject to the terms of the Credit Agreement, any or all of the Collateral delivered to the Agent constituting cash or cash equivalents shall be applied by the Agent to payment of the Obligations or held as Collateral, as the Agent shall elect. The Agent 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 Agent thereafter shall be discharged from any liability or responsibility arising after such delivery to the Grantor. So long as the Agent exercises reasonable care with respect to any Collateral in its possession, custody or control, neither the Agent nor the Lenders shall have any liability for any loss of or damage to any Collateral, and in no event shall the Agent or the Lenders have liability for any diminution in value of the Collateral occasioned by economic or market conditions or events. The Agent 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 Agent is accorded treatment substantially equal to that which the Agent accords similar property for its own account, it being understood that neither the Agent nor the Lenders shall 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 Agent or any 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 Agent for the benefit of the Secured Party shall have, in any jurisdiction where enforcement is sought, in addition to all other rights and remedies that the Agent on behalf of the Secured Party may have under this Agreement and under applicable laws or in equity, all rights and remedies of a secured party 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 Agent for the benefit of the Secured Party and that all payments thereon, or performance with respect thereto, are to be made directly and exclusively to the Agent for the account of the Secured Party; (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 Agent may deposit or surrender control of the Collateral and/or accept other property in exchange for the Collateral as the Agent deems appropriate; (vii) to settle, compromise or release, on terms acceptable to the Agent, 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 Agent for the benefit of the Secured Party 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 Secured Party or in the name of the Grantor, any and all steps, actions, suits or proceedings deemed necessary or desirable by the Agent 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 Secured Party which may release any obligor from personal liability on any of the Collateral, and any money or other property received by the Agent 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 Secured Party or the Grantor may be applied by the Agent, without notice to the Grantor, to the Obligations in such order and manner as the Agent in its sole discretion 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 Agent 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 Agent 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 Agent. The Grantor will, at the Agent's request, assemble the Collateral and make it available to the Agent at places which the Agent may designate, whether at the premises of the Grantor or elsewhere, and will make available to the Agent, free of cost, all premises, equipment and facilities of the Grantor for the purpose of the Agent'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 Agent has no obligation to clean-up or otherwise prepare the Collateral for sale.

(b) Possession by Agent. Upon the occurrence and during the continuance of an Event of Default, the Agent also shall have the right, without notice or demand, either in person, by agent 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 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 Agent 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 Agent 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 Agent, 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 Agent 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 Agent or any Person acting on the Agent's behalf may bid and purchase at any such sale or other disposition. In addition to the other rights of the Agent hereunder, the Grantor hereby grants to the Agent 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 Agent may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and such 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 Agent will give the Grantor reasonable notice of the time and place of any public sale thereof or of the time and place 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 Credit Agreement, 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 Obligations except as expressly provided for in this paragraph. The Agent 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 Agent 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, upon the occurrence and during the continuance of an Event of Default, the Agent 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 Agent may deem necessary or advisable in order that the sale may be lawfully conducted in a commercially reasonable manner. Without limiting the foregoing, the Agent 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 Obligations in an amount in excess of the purchase price, and (B) neither the Agent nor the Lenders shall 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 Agent 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.

(f) Title of Purchasers. Upon consummation of any sale of Collateral hereunder, the Agent on behalf of the Secured Party 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 Agent shall not be required to apply any portion of the sale price to the Obligations until such amount actually is received by the Agent, and any Collateral so sold may be retained by the Agent until the sale price is paid in full by the purchaser or purchasers thereof. The Secured Party 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 Obligations; and third, any surplus remaining after the satisfaction of all Obligations, provided no commitment under the Credit Agreement is outstanding, 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 Agent and the Lenders 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 Agent or the Lenders.

(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 Obligations, the Grantor shall remain liable for any deficiency.

17. Agent Appointed Attorney-in-Fact. The Grantor hereby irrevocably appoints the Agent as the Grantor's attorney-in-fact, effective upon the occurrence and during the 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 Agent'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 Agent; (e) to grant or issue an exclusive or nonexclusive license under the Copyrights, the Patents or the Marks to anyone upon foreclosure by the Agent; (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 Agent; and (g) to file any claims or take any action or institute any proceedings which the Agent may reasonably deem necessary or desirable for the protection or enforcement of any of the rights of the Secured Party with respect to any of the Copyrights, the Patents and the Marks; provided, however, that the Agent shall be under no obligation whatsoever to take any of the foregoing actions, and neither

the Agent nor the Lenders shall have any liability or responsibility for any act or omission (other than the Agent's or the Lenders' own gross negligence or willful misconduct) taken with respect thereto.

18. Costs and Expenses. The Grantor agrees to pay to the Agent all reasonable costs and out-of-pocket expenses (including reasonable attorneys' fees and disbursements) incurred by the Agent 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 Agent 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 Obligations and shall be due and payable to the Agent by the Grantor on demand therefor.

19. Transfers and Other Liens. The Grantor agrees that, except as specifically permitted under the Credit Agreement, 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 Secured Party does not authorize any of the foregoing.

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 any Secured Party 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 Agent and the Lenders from and against any and all claims, losses and liabilities resulting from this Agreement (including enforcement of this Agreement), except to the extent such claims, losses or liabilities result from the Agent's or the Lenders' 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 the terms of the Credit Agreement, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. References to Schedules in this Agreement shall include all supplements to such Schedules delivered by the Grantor to the Agent in accordance with the terms of this Agreement.

23. Notices. All notices and other communications provided for hereunder shall be given in the manner, and to the respective addresses, set forth in the Credit Agreement.

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 payment in full in cash of the Obligations and the termination or expiration of the commitments under the Credit Agreement and any applicable bankruptcy preference period, (ii) be binding upon the Grantor, its successors and assigns and (iii) inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent, for the benefit of the Secured Party and their respective successors and assigns, subject to the terms of the Credit Agreement. Subject to the terms of the Credit Agreement, any Lender may assign or otherwise transfer any Loans, commitments under the Credit Agreement, or any rights in Collateral held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Agent or Lender herein or otherwise. 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. Release of Grantor.

(a) This Agreement and all obligations of the Grantor hereunder and all security interests granted hereby shall be released and terminated when all Obligations have been paid in full in cash and when all commitments under the Credit Agreement and any applicable bankruptcy preference period have expired. Upon such release and termination, all rights in and to the Collateral shall automatically revert to the Grantor, and the Agent and the Lenders shall return any Pledged Collateral in its possession to the Grantor, or to the Person or Persons legally entitled thereto, and shall endorse, execute, deliver, record and file all instruments and documents, and do all other acts and things, reasonably required for the return of the Collateral to the Grantor, or to the Person or Persons legally entitled thereto, and to evidence or document the release of the interests of the Secured Party arising under this Agreement, all as reasonably requested by, and at the sole expense of, the Grantor.

(b) The Agent agrees that if an asset disposition permitted under the Credit Agreement occurs with respect to any Collateral, the Agent shall release such Collateral that is the subject of such asset disposition to the Grantor free and clear of the Lien under this Agreement, provided that so long as any Obligations remain outstanding under the Credit Agreement or any commitment under the Credit Agreement remains outstanding, the Agent shall have no obligation to make such release until arrangements reasonably satisfactory to it have been made for delivery to it of any net proceeds of any asset disposition required to be used to prepay the Obligations pursuant to the terms of the Credit Agreement.

26. GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA (WITHOUT REFERENCE TO ITS CHOICE OF LAW RULES).

27. 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

ALTERNA HOLDINGS CORP.

By: ______________________
Name: Yasser Toaima
Title: Treasurer

SCHEDULE A

PLEDGED COLLATERAL

1. Pledged Securities

Issuer	Certificate No.	No. of Shares	% Issuer	Other Classes of Shares
Alterna Professional Haircare, BV	No Certificated Interests	–	100%	None

2. Pledged Partnership Interests

Name of Partnership	Percentage Interest in Partnership
None	

3. Pledged Limited Liability Company Interests

Name of Limited Liability Company	Percentage Membership Interest

None

SCHEDULE B

COPYRIGHTS, PATENTS, MARKS AND TRADE NAMES

COPYRIGHTS

None

PATENTS

Patent relating to Quaternized Hempseed Oil (the process to make Hemp Seed oil more conditioning and more adherent to the hair): U.S. Patent No. 6,063,369, entitled "Quaternized hemp seed oil," issued may 16, 2000.

TRADE MARKS

[See Attached]

TRADE NAMES

None

OTHER NAMES

Alterna, Inc.
Alternative Beauty Concepts

List of US Trademarks

B/E DOCKET NO.	MARK/DESCRIPTION OF GOODS	SERIAL NO.	FILING DATE	REGISTRATION NO.	REGISTRATION DATE	INT'L CLASS	REGISTERED OR PENDING
U.S. TRADE AND SERVICE MARKS – OTHER MARKS							
03-135-Z	USTM: Bottle Design #1 For: Hair Shampoo	76/153,560	10-25-00	2,777,171	10/28/03	003	REGISTERED §§8&15 due 10/28/09
03-136-Z	USTM: Bottle Design #2 For: Hair conditioner	75/153,561	10-25-00	2,777,172	10-28-03	003	REGISTERED §§8&15 due 10/28/09
03-283-Z	USTM: Bottle Design #3 For: Volumizing leave-in hair conditioner	76/153,562	10-25-00	2,699,324	3-25-03	003	REGISTERED §§8&15 due 03/25/09
03-284-Z	USTM: Bottle Design #4 For: Hair styling gel	76/153,563	10-25-00	2,701,733	4-1-03	003	REGISTERED §§8&15 due 4/1/09
03-159-Z	USTM: Gold Bottle Design For: Haircare products, namely, shampoos	75/205,142	11-27-96	2,183,428	08-25-98	003	REGISTERED §§8&9 due 8/25/08
03-161-Z	USTM: Red Bottle Design For: Haircare products, namely, mists and sprays	75/205,144	11-27-96	2,190,320	09-22-98	003	REGISTERED §§8&9 due 9/22/08
03-221-Z	USTM: ALTERNA CAVIAR RAPID REPAIR SPRAY For: Hair care preparations	78/520,915	06-09-03	N/A	N/A	003	PENDING
03-299-Z	USTM: NUTROZYME COMPLEX For: Combination of hair conditioning and protective compounds for use as an ingredient in hair shampoo	76/263,498	05/25/01	2,617,597	09/10/02	003	REGISTERED §§8&15 due 9/10/08
03-300-Z	USTM: IMAGE411.COM For: Information services in the field of beauty and hair care	75/938,515	03-06-00	2,426,995	02/06/01	042	REGISTERED §§8&15 due 2/6/07

BJT DOCKET NO.	MARK/DESCRIPTION OF GOODS	SERIAL NO.	FILING DATE	REGISTRATION		INT'L CLASS	REGISTERED OR PENDING
				NO.	DATE		
03-301-Z	USTM (Supplemental Reg.): ENZYMETHERAPY For: Hair care products, namely, shampoos, rinses, conditioners, sculpting gels, mousse, and hair spray	74/703,205	07-19-95	2,074,817	6-24-97	003	REGISTERED §§8&9 due 6/24/07
03-423-Z	USTM: ENZYMETHERAPY For: Hair care preparations, namely, shampoos, conditioners, rinses, styling lotions, gels, glazes, tonics, mousses, styling foams, hair sprays, hair balms, waxes, pomades, permanent waving and straightening solutions, hair polish, leave-in curl retention preparations, hair lotions for stimulating the scalp and hair follicles, and scalp treatments; cosmetics, namely, skin care lotions and eye creams	78/377,856	3-3-04			003	PENDING

BJT DOCKET NO.	MARK/DESCRIPTION OF GOODS	SERIAL NO.	FILING DATE	REGISTRATION NO.	REGISTRATION DATE	INT'L CLASS	REGISTERED OR PENDING
04-077-Z	USTM: NANOZYME For: Hair care preparations, namely, shampoos, conditioners, rinses, styling lotions, gels, glazes, tonics, mousses, styling foams, hair sprays, hair balms, pomades, permanent waving and straightening solutions, hair coloring preparations, color additives, bleaches, hair polish, leave-in curl retention preparations, hair lotions for stimulating the scalp and hair follicles, and scalp treatments	78/376,561	3-1-04			003	PENDING
03-302-Z	USTM: BECAUSE WATER ISN'T ENOUGH For: All purpose cleaning preparations and cleaning preparations for use on produce, fruits and vegetables	75/351752	09-04-97	2,278,536	09-07-99	003	REGISTERED §§8&15 due 9/7/05
03-287-Z	USTM: ALTERNA For: hair care products, namely shampoos and conditioners	74/703,551	7-12-95	2,067,782	06-03-97	003	REGISTERED §§8&9 due 6/3/07
03-297-Z	USTM: ALTERNA For: Non-medicated hair care preparations, namely, solutions, waving, and permanent waving solutions; and cosmetic preparation for the hands and body, namely, sun tanning preparations, sunscreens and tan enhancing preparations	75/027,247	12-05-95	2,410,914	12-05-00	003	REGISTERED §§8&15 due 12/5/06
03-354-Z	USTM: ALTERNA For: Styling and setting lotions, gels, foams, sprays, moisturizers, rinses and cosmetic preparations for the hand and body namely, skin and body creams	75/978,161	12-05-95	2,243,924	05/04/99	003	REGISTERED §§8&15 due 5/4/05

04-104-Z	USTM: COLOR HOLD For: Hair care preparations, namely, shampoos, conditioners, rinses, styling lotions, gels, glazes, tonics, mousses, styling foams, hair sprays, hair balms, pomades, waxes, permanent waving and straightening solutions, bleaches, hair gloss, leave-in curl retention preparations, hair lotions for stimulating the scalp and hair follicles, and scalp treatments	78/383,632	3-12-04			003	PENDING
04-112-Z	USTM: AGE-CONTROL COMPLEX For: Hair care preparations; hair shampoos; hair conditioners, hair styling lotions, hair tonics and hair repair formulas, hair mousses, hair sprays, ; skin care preparations; skin lotions; and skin creams	78/404,394	4-19-04			003	PENDING
03-158-Z	USTM: DESIGN OF STYLIZED A For: Hair care products, namely, shampoos, conditioners, crème gels, texturizers, sprays and mists	75/219,329	12-30-96	2,176,238	7-28-98	003	REGISTERED §§8&9 due 7/28/08

List of Foreign Trademarks

LIST OF FOREIGN "ALTERNA" APPS/REGISTEREDS

Territory/Country	Registration/ Serial No.	Status	Filing/ Registered Date
Australia	726564	Registered	1/29/97
Austria	171.962	Registered	10/8/97
Bahrain	26935	Registered	2/6/00
Bermuda	29096	Registered	9/3/97
Canada	TMA 524,154	Registered	3/1/00
China	3732934	Pending	9/25/03
Denmark	03088/1998	Registered	9/11/98
Finland	209800	Registered	4/30/98
France	976 75 789	Registered	11/14/97
Germany	397 07 072	Registered	4/21/97
Greece	134.400	Registered	4/19/99
Hungary	151 688	Registered	4/24/98
Ireland	204669	Registered	2/4/97
Israel	113,299	Registered	6/30/97
Italy	810027	Registered	4/12/00
Japan	4461070	Registered	3/23/01
Korea, Republic of	495068	Registered	6/8/01
Malaysia	2000-01186	Registered	2/10/00
Mexico	706,604	Registered	7/25/01
New Zealand	272665	Registered	2/12/97
Norway	188118	Registered	1/22/98
Portugal	325,177	Registered	8/1/01
Singapore	T00/05354J	Registered	4/01/00
Spain	2073953	Registered	1/13/99
Sweden	327,647	Registered	7/24/98
Switzerland	445,863	Registered	11/05/97
Taiwan	927044	Registered	1/31/01
Turkey	202,299	Registered	10/26/98
U.K.	2122235	Registered	8/15/97
United States	2,067,782	Registered	6/3/97
United States	2,410,914	Registered	12/5/00
United States	2,243,924	Registered	5/4/99

LIST OF FOREIGN ALTERNA logo APPS/REGISTEREDS

Territory/Country	Registration/ Serial No.	Status	Filing/ Registered Date
Bahrain	TM26936	Registered	2/6/00
Bermuda	29150	Pending	9/24/97
Canada	TMA529,790	Registered	6/27/00
Germany	399 11 065	Registered	6/11/99
Korea, Republic of	496332.	Registered	6/26/01
Malaysia	2000-01185	Registered	2/10/00 (priority) 4/28/03 (reg date)
Singapore	T00/05353B	Registered	4/1/00
Taiwan	929700	Registered	2/15/01
Turkey	202533	Registered	10/26/98
U.K.	2141962	Registered	2/6/98

LIST OF FOREIGN "ENZYMETHERAPY" APPS/REGISTEREDS

Territory/Country	Registration/ Serial No.	Status	Filing/ Registered Date
Bermuda	29151	Registered	9/29/97
U.K.	2141961	Registered	8/13/97
United States	2,074,617	Registered	6/24/97
United States	78/377,856	Pending	3/03/04

LIST OF FOREIGN "ENZYMETHERAPY WITH DESIGN" APPS/REGISTEREDS

Territory/Country	Registration/ Serial No.	Status	Filing/ Registered Date
Germany	39967644	Registered	4/18/00

LIST OF FOREIGN "ALTERNA ENZYMETHERAPY" APPS/REGISTEREDS

Territory/Country	Registration/ Serial No.	Status	Filing/ Registered Date
Canada	571,665	Registered	12/04/02

LIST OF FOREIGN "NUTROZYME COMPLEX" APPS/REGISTEREDS

Territory/Country	Registration/ Serial No.	Status	Filing/ Registered Date
Canada	TMA596,091	Registered	12/01/03
European Community.	2357853	Registered	5/12/03

SCHEDULE C

LOCATIONS OF EQUIPMENT AND INVENTORY

Exclusive Control Locations

20401 Prairie Street
Chatsworth, CA 91311

Non-Exclusive Control Locations

Location	Equipment/Inventory Value	Qualified To Do Business
425 S. 9th Ave. City of Industry, CA 91746	$0	Yes
1055 W. 5th St Azusa, CA 91702	$530,576	Yes
9250 Mason Ave. Chatsworth, CA 91311	$273,639	Yes
264 21 Ruther Ave Santa Clarita, CA 91350	$498,987	Yes
20633 Fordyce Ave. Carson, CA 90810	$568,761	Yes
550 East 3rd St. Oxnard, CA 93030	$1,408	Yes
9200 Mason Chatsworth, CA 91311	$342,385	Yes
5165 G Street Chino, CA 91710	$109,562	Yes
3030 Fletcher Drive Los Angeles, CA 90065	$105,902	Yes
3550 Hayden Avenue Culver City, CA 90232	$38,948	Yes
20320 Prairie Street Chatsworth, CA 91311	$13,437	Yes
2321 3rd Street Riverside, CA 92507	$12,668	Yes
14570 Monte Vista Avenue Chino, CA 91710	$1,972	Yes

SCHEDULE D

LOCATIONS OF BOOKS AND RECORDS

1. Chief Executive Office - 10521 W. Pico Blvd., Los Angeles, CA 90064

2. Locations of Account Records and Chattel Paper - 10521 W. Pico Blvd., Los Angeles, CA 90064

SCHEDULE E

DEPOSIT ACCOUNTS, CERTAIN INVESTMENT PROPERTY AND LETTERS OF CREDIT

1. Deposit Accounts

Name and Address of Institution Holding Account	Account No.
Union Bank of California 1980 Saturn Street Monterey Park, CA 91755	
Guaranty Bank 2600 W. 80th Street Bloomington, MN 55431	

2. Securities Accounts and Other Investment Property

None

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

SCHEDULE F

UCC FILING OFFICE AND STATE ORGANIZATIONAL IDENTIFICATION NUMBER

Filing Office	State Organizational Identification Number
Delaware Secretary of State	3936560

SCHEDULE G

FORM OF LIMITED LIABILITY COMPANY NOTICE

TO: [Name of Pledged Entity]

Notice is hereby given that, pursuant to the Security Agreement dated as of June 13, 2005 (said Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time, the "Security Agreement"), made by Alterna Holdings Corp. (the "Grantor"), in favor of Union Bank of California, N.A., as Agent (the "Agent") on behalf of the Secured Party described therein, the Grantor has pledged and assigned to the Agent for the ratable benefit of the Secured Party, and granted to the Agent for the ratable benefit of the Secured Party, 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 Agent on behalf of the Secured Party 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 Agent on behalf of the Secured Party.

ALTERNA HOLDINGS CORP.

By: ______________________
Name: ____________________
Title: ____________________

FORM OF ACKNOWLEDGMENT

[NAME OF PLEDGED ENTITY] (the "Limited Liability Company") hereby acknowledges receipt of a copy of the assignment by ALTERNA HOLDINGS CORP. (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 June 13, 2005 (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., as Agent (the "Agent") on behalf of the Secured Party described therein. The undersigned hereby further confirms the registration of the Grantor's pledge of its interest to the Agent on behalf of the Secured Party on the Limited Liability Company's book. The undersigned acknowledges the control by the Agent of the Grantor's interest in the Limited Liability Company and confirms that the undersigned shall upon the occurrence and during the continuance of an Event of Default comply with instructions originated by the Agent with respect to such interest without the further consent by the Grantor.

Dated: ________, ______

[NAME OF PLEDGED ENTITY]

By: ____________________
Name: __________________
Title: ___________________