

SECURITY AGREEMENT

IN CONSIDERATION of the extension of credit by ROGER D. STERN, as Trustee of the ROGER D. STERN P.C. PENSION TRUST pursuant to an Agreement dated July 1, 1973, having an office at 30 East 71st Street, New York, New York 10021 (the "Secured Party") to 196035 NEW YORK CORPORATION d/b/a THE SWEET "P" COMPANY, a New York corporation having an office at 610 Buffalo Avenue, Niagara Falls, New York 14303 (the "Borrower"), and for other valuable consideration, the receipt of which is hereby acknowledged, ROBERT W. WALTON, an individual having an office at 610 Buffalo Avenue, Niagara Falls, New York 14303 (the "Guarantor") hereby agrees as follows:

1. To secure the payment of all indebtedness, liabilities and obligations for the payment of money that are now or hereafter owing by the Borrower and the Guarantor to the Secured Party and are reflected in (a) that certain promissory note in the original principal amount of \$110,000.00 delivered by the Borrower to the Secured Party, dated as of the date of this Agreement, (b) that certain Guaranty delivered by the Guarantor to the Secured Party, dated as of the date of this Agreement, and (c) all renewals, replacements, modifications, extensions, substitutions and assignments of such promissory note and guaranty, and all interest and other charges that accrue with respect to such indebtedness, liabilities and obligations (collectively, the "Obligations"), the Guarantor grants to the Secured Party a security interest in and to the following assets of the Guarantor (hereafter collectively referred to as the "Collateral"):

(A) All of the Guarantor's right, title and interest in and with respect to United States Patent Nos. 5,193,488, 5,353,743, 5,329,879 and 5,289,800 including without limitation, all proceeds thereof (e.g., royalties and proceeds of infringement suits), the right to sue for past, present and future infringements or misappropriations thereof, all rights corresponding thereto throughout the world (including, without limitation, Canada) and all reissues, divisions, continuations, re-examinations and renewals thereof.

(B) All records (including, but not limited to, all records maintained on a computer) of the Guarantor evidencing, or otherwise relating to, the United States patent described in clause "(A)" above; and

(C) All proceeds of any of the assets described in clauses "(A)" and "(B)" of this section.

2. The Guarantor represents and warrants to the Secured Party as follows: (a) the Guarantor has not heretofore abandoned, assigned, sold, licensed, exchanged, converted or

otherwise transferred or disposed of any of the Collateral or any interest in any of the Collateral, provided however, that the Guarantor has licensed the United States patent included in the Collateral to the Borrower and to The Sweet "P" Corporation, a Canadian corporation, and (b) there exists no demand or claim, and no action or other legal proceeding, brought by any third party against the Guarantor relating to any of the Collateral.

3. The Guarantor shall at all times (a) maintain accurate and complete records relating to the Collateral in conformity with generally accepted accounting principles applied on a consistent basis, (b) before the end of any applicable grace period, pay each tax, assessment, fee and charge imposed by any governmental authority upon any of the Collateral or upon the ownership, possession, use, operation, sale or licensing of any of the Collateral, (c) defend the Collateral against each demand and claim asserted by any person other than the Secured Party, (d) promptly give to the Secured Party notice of (i) the threat or commencement by any person other than the Secured Party of any material legal proceeding relating to any of the Collateral, or (ii) any change in any address at which any of the Collateral will be kept.

4. The Guarantor shall be in default under the terms of this Agreement upon the occurrence or existence of any of the following events or conditions (an "Event of Default"): (a) the occurrence or existence of a default by the Borrower, the Guarantor or The Sweet "P" Corporation (the Canadian parent corporation of the Borrower) under the terms of the Loan Agreement, the Promissory Note, the Individual Guaranty, the Corporate Guaranty or the Collateral Assignment of Patents as Security delivered to the Secured Party and of even date herewith, and the expiration of all applicable cure periods with respect to such default, or (b) if the Guarantor defaults in the performance of any obligation set forth in this Agreement owing by the Guarantor to the Secured Party other than an obligation to pay money, and such default is not cured within a period of thirty (30) days following the date that notice demanding the cure of such default is delivered to the Guarantor by the Secured Party.

5. Upon the request of the Secured Party made at any time and from time to time, the Guarantor shall (a) permit each employee, accountant, attorney and other agent of the Secured Party to inspect all goods included in the Collateral and to examine, audit, copy and extract each record of the Guarantor evidencing, or otherwise relating to, any of the Collateral, and (b) execute and deliver each financing statement relating to any of the Collateral and each amendment of any such financing statement that is so requested.

6. Following the execution and delivery of this Agreement, the Guarantor shall not (a) execute any financing statement relating to any of the Collateral and naming any person as a secured party other than the Secured Party, (b) create a security interest in, or any other lien or encumbrance upon, any of the Collateral, except for any security interest or other lien or encumbrance in favor of the Secured Party, or (c) abandon, assign, sell, license, exchange, convert, or otherwise transfer or dispose of any of the Collateral or any interest in any of the Collateral.

7. The Guarantor irrevocably and unconditionally appoints the Secured Party as the attorney-in-fact of the Guarantor with full power of substitution and revocation, acting at any time and from time to time in the name of the Guarantor to, whether or not an Event of Default has occurred or existed, (a) execute and deliver any financing statement relating to any of the Collateral or any amendment of any such financing statement, and (b) any filing with the United States Office of Patents and Trademarks required to give public notice of the security interest of the Secured Party in the Collateral or any amendment of any such filing

8. Upon and at any time and from time to time after the occurrence or existence of any Event of Default, the Secured Party shall have the right to (a) perform any obligation of the Guarantor pursuant to this Agreement, (b) require the Guarantor to deliver the Collateral to the Secured Party at a place designated by the Secured Party reasonably convenient to the Secured Party and to the Guarantor, and (c) to exercise each applicable right and remedy of a secured party pursuant to the Uniform Commercial Code and each applicable right and remedy pursuant to any other law. The Secured Party shall apply all proceeds received by the Secured Party from any disposition of, or from any collection of, any of the Collateral or otherwise on account of any of the Collateral first to costs and expenses described in section 9 of this Agreement, and then to such of the Obligations, whether or not due, as the Secured Party shall determine in the sole discretion of the Secured Party.

9. The Guarantor shall pay to the Secured Party on demand each cost and expense (including, but not limited to, reasonable attorney's fees and disbursements) incurred by the Secured Party in (a) performing any obligation of the Guarantor pursuant to this Agreement, (b) taking any action pursuant to section 8 of this Agreement, (c) enforcing any obligation of the Guarantor pursuant to this Agreement, (d) preserving or exercising any right or remedy pursuant to this Agreement, or (e) preserving or exercising any right or remedy relating to, taking possession of, collecting or enforcing or other disposition of, or realizing upon, any of the Collateral.

10. All rights and remedies of the Secured Party pursuant to this Agreement shall be cumulative, and no such right or remedy shall be exclusive of any other such right or remedy. No single or partial exercise by the Secured Party of any such right or remedy shall preclude any other or further exercise thereof, or any exercise of any other such right or remedy, by the Secured Party.

11. This Agreement contains the entire agreement between the Secured Party and the Guarantor with respect to the subject matter of this Agreement, and supersedes each course of conduct heretofore pursued, accepted or acquiesced in, and each oral agreement and representation heretofore made, by the Secured Party with respect thereto. No course of performance or other conduct hereafter pursued, accepted or acquiesced in, and no oral agreement or representation hereafter made by the Secured Party and no usage of trade shall modify or terminate this Agreement, nor shall it impair or otherwise affect any obligation of the Guarantor pursuant to this Agreement or any right or remedy of the Secured Party pursuant to this Agreement or operate as a waiver of any such right or remedy. No modification of this Agreement or waiver of any such right or remedy shall be effective unless made in a writing duly executed by the Secured Party. No waiver by the Secured Party on any one occasion of any such right or remedy shall operate as a waiver thereof or of any other such right or remedy on any future occasion.

12. This Agreement shall be governed by and construed, interpreted and enforced in accordance with the internal law of the State of New York, without regard to principles of conflicts of laws. The parties consent to the jurisdiction of the Supreme Court of the State of New York, and of the United States District Court for the Southern District of New York, located in New York City, for all purposes in connection with this Agreement.

13. Each notice to and each other communication to the Guarantor by the Secured Party, or to the Secured Party by the Guarantor, as the case may be, relating to this Agreement shall be in writing and shall be given in person or sent by regular mail, postage prepaid, or by overnight courier, to the address of the party to receive such notice or other communication at the address set forth in the first paragraph of this Agreement, or at such other address as may at any time and from time to time be specified by written notice given pursuant to this section. A copy of any notice or demand sent to the Guarantor or the Borrower shall be sent to Terry C. Burton, Esq., 2959 Genesee Street, Cheektowaga, New York 14225. A copy of any notice or demand sent to the Secured Party shall be sent to Daniel Lund, Esq. and Eric Lesser, Esq., Krass & Lund, P.C., 419 Park Avenue South, New York, New York 10016. Each requirement under applicable law of reasonable notice to a party hereto of any event shall be deemed to have been met if notice of such event is

given as provided in this section at least fifteen (15) business days before the date on or after which such event is to occur.

14. This Agreement shall be binding upon the Guarantor and upon the legal representatives, heirs and assignees of the Guarantor, and shall inure to the benefit of, and be enforceable by, the Secured Party and each successor and assignee of the Secured Party.

15. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. If, however, any such provision shall be prohibited by or invalid under such law, it shall be deemed modified to conform to the minimum requirements of such law, or if for any reason it is not deemed so modified, it shall be prohibited or invalid only to the extent of such prohibition or invalidity without the remainder thereof or any other such provision being prohibited or invalid.

IN WITNESS WHEREOF, the Guarantor has executed this Agreement as of the 23rd day of April, 1997.



Robert W. Walton