

05-10-2004

EX-SHEET
TENTS ONLY

TO THE DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE 102741874
SIR: PLEASE RECORD THE ATTACHED ORIGINAL DOCUMENTS OR COPIES THEREOF.

1. NAME OF CONVEYING PARTY(IES) (ASSIGNORS(S)):

1. XYRON, INC. **5-5-04**3.
4.
5.
6.
7.2.
3.
4.
5.
6.
7.
8.ADDITIONAL NAME(S) OF CONVEYING PARTY(IES) ATTACHED? ☐ YES ☒ NO

2. PARTY(IES) (ASSIGNEE(S)) RECEIVING INTEREST:

NAME: **JM STOCKHOLDER REPRESENTATIVE LLC**ADDRESS: **1323 Waterford Road, Woodbury, Minnesota 55125**ADDITIONAL NAME(S) & ADDRESS(ES) ATTACHED? ☐ YES ☒ NO

3. NATURE OF CONVEYANCE (DOCUMENT):

(Submit herewith only one document for recordation—multiple copies of same Assignment signed by different inventors is one document)

- ☐ ASSIGNMENT OF ☐ WHOLE ☐ PART INTEREST
☐ ORIGINAL ☐ FACSIMILE/PHOTOCOPY
☐ CHANGE OF NAME ☐ VERIFIED TRANSLATION
☒ **SECURITY AGREEMENT** ☐ MERGER ☐ OTHER:

EXEC. DATE: **DECEMBER 5, 2003**EXECUTION DATE(S) ON THE DECLARATION IF FILED HERewith: (**NOTE**: IF DATES ON DECLARATION AND ASSIGNMENT DIFFER SEE ATTY!)4.5 APPL. NO.(S) OR PAT NO.(S). OTHERS ON ADDITIONAL SHEET(S) attached? ☒ YES ☐ NO

A. PAT. APP. NO.(S) series code/serial no	M#	1 st INVENTOR if not in item 1	B. PATENT NO(S)	M#	1 st INVENTOR if not in item 1
60/091,295	243747	NEUBURGER et al.	6,403,185	256903	NEUBURGER et al.

5. Name & Address of Party to Whom Correspondence Concerning Document Should be Mailed:

Pillsbury Winthrop LLP
Intellectual Property Group
P.O. Box 10500 McLean, VA 22102

6. NUMBER INVOLVED:

APPLNS 15 + PATS 9 = TOTAL = 24

7. AMOUNT OF FEE DUE: (Code 581)

ABOVE TOTAL x \$40 = \$960

5.5 ATTY DKT:

P 0081069

8. PLEASE CHARGE TO OUR DEPOSIT ACCOUNT

NUMBER: 03-3975

UNDER ORDER NO

0081069

0000013

MATTER NO.

CLIENT REF.

dup. sheet not required

CLIENT NO.

MATTER NO.

9. 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.

Signature

Attorney: Bryan P. CollinsReg. No. 43560Date: May 5, 2004Atty/Sec: BPC/RSP

TEL: (703) 905-2038

FAX: (703) 905-2500

10. Total number of pages including this cover sheet, attachments and document (do not file dup. Cover sheet)

21

FILE WITH PTO RETURN RECEIPT (PAT-103A)

05/10/2004 ECDOPER 00000008 033975 60091295

01 FC:8021

40.00 DA

4.5 Continued APPL. NO.(S) OR PAT NO.(S).					
A. PAT. APP. NO.(S) Series code/serial no	M#	1 st INVENTOR If not in Item 1	B. PATENT NO.(S)	M#	1 st INVENTOR If not in Item 1
10/051,150	284416	NEUBURGER et al.	6,335,067	256913	O'KEEFE et al.
10/139,397	282552	ENSIGN JR. et al.	6,422,281	266761	ENSIGN, JR. et al.
10/339,575	301171	VELASQUEZ et al.	6,539,997	274244	LEMENS
10/372,807	282499	RIVERA et al.	6,576,080	272951	VELASQUEZ et al.
09/814,118	268309	CAUSSE et al.	DES 451,959	272952	VELASQUEZ
10/197,856	295011	KWAMME et al.	DES 459,396	280835	VELASQUEZ et al.
08/716,360	265382	MABBOTT	5,842,096	265383	MABBOTT
10/176,216	284436	MABBOTT	6,198,898	265384	MABBOTT
10/178,615	284855	CASALDI et al.			
60/441,732	295017	CASALDI et al.			
60/441,350	300358	HOFFMAN et al.			
60/477,914	301017	ENSIGN, Jr.			
60/462,741	301018	HOFFMAN et al.			
10/673,579	305991	NEUBURGER			

SECURITY AGREEMENT

dated as of December 5, 2003

between

XYRON, INC.

and

J.M. STOCKHOLDER REPRESENTATIVE, LLC

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This **SECURITY AGREEMENT**, dated as of December 5, 2003 (this "Agreement"), between Xyron, Inc., an Arizona Corporation (the "Grantor" or the "Company"), and J.M. Stockholder Representative, LLC, acting in the capacity of Stockholder Representative for the benefit of the Stockholders and Optionholders ("JM" or the "Secured Party").

RECITALS

WHEREAS, reference is made to that certain Stock Purchase Agreement, dated as of October 28, 2003 (as it may be amended, restated, supplemented or otherwise modified from time to time, the "Stock Purchase Agreement"), by and among J.W. Childs Holdings Sweden AB, a Swedish corporation (the "Parent"), Esselte Acquisition Sub, Inc., an Arizona corporation and a wholly owned subsidiary of Parent (the "Buyer"), the Grantor and the Stockholders and Optionholders.

WHEREAS, pursuant to the Stock Purchase Agreement, the Buyer, as of the date hereof, has acquired all of the issued and outstanding capital stock of the Grantor.

WHEREAS, pursuant to Section 6.16 of the Stock Purchase Agreement, the Buyer has caused the Grantor to execute and deliver the Creative Business License Agreement, dated as of the date hereof, between the Buyer, the Grantor and JM (the "Creative Business License Agreement") whereby the Buyer and the Grantor have granted a license to JM to certain Intellectual Property of Grantor, subject to and in accordance with the terms thereof.

WHEREAS, pursuant to Section 8.1(e) of the Stock Purchase Agreement, the Buyer is obligated to grant or caused to be granted to the Stockholder Representative, on behalf of the Stockholders and Optionholders, a first priority lien on, and security interest in, the Creative Business Intellectual Property and certain other assets of the Creative Business, as security for the Buyer's obligations under Sections 2.5(b) and 8.1 of the Stock Purchase Agreement.

WHEREAS, in fulfillment of its obligation to grant such lien and security interest, the Buyer has caused the Grantor to execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the Grantor and the Stockholder Representative agree as follows:

SECTION 1. DEFINITIONS.

1.1 General Definitions. In this Agreement, the following terms shall have the following meanings:

"**Affiliate**" shall mean, with respect to any Person, any Person that, directly or indirectly, controls, is controlled by, or is under common control with that Person. Notwithstanding the foregoing, for purposes of this Agreement, when used in reference to the Parent or any of its Subsidiaries, including the Buyer and the Grantor, the term "Affiliate" shall not include J.W. Childs Advisors III, L.P., New G.P. and any Person, including J.W. Childs Equity Partners III, L.P. and New L.P., for which J.W. Childs Advisors III, L.P., New G.P. or any of their respective Affiliates acts as the general partner or in a similar capacity.

"Agreement" shall have the meaning set forth in the Preamble.

"Authenticate" shall mean "authenticate" as defined in Article 9 of the UCC.

"Bankruptcy Code" shall mean Title 11 of the United States Code entitled "Bankruptcy", as now and hereafter in effect, or any successor statute.

"Buyer" shall have the meaning set forth in the Recitals.

"Closing Date" shall mean the date of this Agreement.

"Collateral" shall have the meaning set forth in Section 2.1 hereof.

"Company" shall have the meaning set forth in the Preamble.

"Company Business" shall have the meaning provided in the Stock Purchase Agreement.

"Company Intellectual Property" shall mean all Intellectual Property that, as of the date hereof, is owned, licensed, used or held for use in the business of the Company or any Subsidiary of the Company. Company Intellectual Property shall include the Computer Software.

"Computer Software" shall mean computer software programs, including source code and object code, databases and all documentation related thereto used in connection with the business of the Company or any Subsidiary of the Company.

"Copyrights" shall mean U.S. and foreign registered and unregistered copyrights (including those in computer software, mask works and databases), rights of publicity and all other literary property or authors' rights, whether or not protected by federal, state or common law, and all registrations and applications to register the same.

"Creative Business" shall have the meaning provided in the Stock Purchase Agreement.

"Creative Business Intellectual Property" shall mean all (i) Company Intellectual Property used, acquired for use, or developed for use solely for the Creative Business as of immediately prior to the Closing, including, to the extent that they are used, acquired for use, or developed for use solely for the Creative Business, the Patents and Trademarks set forth in Schedule A to this Agreement; (ii) Intellectual Property used or developed for use solely in the Creative Business and developed by the Company Business after the Closing and prior to the License Commencement Date; (iii) Intellectual Property acquired by the Company Business after the Closing and prior to the License Commencement Date solely for use in the Creative Business; and (iv) rights obtained by the Company Business after the Closing and prior to the License Commencement Date solely for use in the Creative Business pursuant to any license agreement between the Company and any third party, provided, that with respect to the Company Intellectual Property described in the preceding clauses (iii) and (iv), the Licensing Entity shall pay the Company any amounts previously paid to acquire such Intellectual Property or to obtain such rights, as the case may be.

"Creative Business License Agreement" shall have the meaning set forth in the Recitals.

"Documents" shall mean all "documents" as defined in Article 9 of the UCC.

"Documents Evidencing Goods" shall mean all Documents evidencing, representing or issued in connection with Goods.

"Equipment" shall mean: (i) all "equipment" as defined in the UCC, (ii) all machinery, manufacturing equipment, data processing equipment, computers, office equipment, furnishings, furniture, appliances, and tools (in each case, regardless of whether characterized as equipment under the UCC), and (iii) all accessions or additions thereto, all parts thereof, whether or not at any time of determination incorporated or installed therein or attached thereto, and all replacements therefor, wherever located, now or hereafter existing.

"Event of Default" shall mean a breach by the Buyer of Sections 2.5(b) or 8.1 of the Stock Purchase Agreement or a breach by the Buyer or the Grantor of Section 2.1 of the Creative Business License Agreement.

"Excluded Collateral" shall mean all Office Products Intellectual Property and Shared Intellectual Property.

"Goods" (i) shall mean all "goods" as defined in Article 9 of the UCC and (ii) shall include, without limitation, all Inventory, Equipment, Documents Evidencing Goods and Software Embedded In Goods.

"Grantor" shall have the meaning set forth in the Preamble.

"Intellectual Property" shall mean all of the following: Trademarks, Patents, Copyrights, Trade Secrets, Inventions, Computer Software, Proprietary Information and Licenses.

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended to the date hereof and from time to time hereafter, and any successor statute.

"Inventions" shall mean any invention, discovery, idea, technique, formula, machine, method, process, use, apparatus, product, device, composition, code, design, program, computer hardware or software, Proprietary Information or configuration of any kind, and any improvement thereto, which relates to the business of the Company or its Subsidiaries or results from work performed by or on behalf of the Company or any of its Subsidiaries.

"Inventory" shall mean: (i) all "inventory" as defined in the UCC and (ii) all goods held for sale or lease or to be furnished under contracts of service or so leased or furnished, all raw materials, work in process, finished goods, and materials used or consumed in the manufacture, packing, shipping, advertising, selling, leasing, furnishing or production of such inventory or otherwise used or consumed in the Grantor's business; all goods in which the Grantor has an interest in mass or a joint or other interest or right of any kind; and all goods which are returned to or repossessed by the Grantor, and all accessions thereto and products thereof (in each case, regardless of whether characterized as inventory under the UCC).

"License Commencement Date" shall mean the date on which the license to the Company Intellectual Property provided for in Section 2.1 of the Creative Business License Agreement commences in accordance with Section 5.1 thereof.

"License Right" shall have the meaning provided in the Stock Purchase Agreement.

"Licenses" shall mean all licenses and agreements pursuant to which the Company or any Subsidiary of the Company has acquired rights in or to any Trademarks, Patents, Copyrights, Trade Secrets, Inventions, Computer Software or Proprietary Information or licenses and agreements pursuant to which the Company or any Subsidiary of the Company has licensed or transferred the right to use any of the foregoing.

"Lien" shall mean any lien, mortgage, pledge, assignment, security interest, charge or encumbrance of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, and any lease in the nature thereof) and any option, trust or other preferential arrangement having the practical effect of any of the foregoing.

"New G.P." shall have the meaning provided in the Stock Purchase Agreement.

"New L.P." shall have the meaning provided in the Stock Purchase Agreement.

"Office Products Business" shall mean that portion of the business of Esselte AB and its Subsidiaries solely related to the design, manufacture or sale after the Closing Date of (i) the products set forth on Schedule 1.1(b) of the Stock Purchase Agreement, and (ii) the binding and laminating products (including future derivations and improvements of the products set forth on Schedule 1.1(b) of the Stock Purchase Agreement) designed, manufactured or sourced from a third party (in each instance by or on behalf of the Parent or its Subsidiaries) and sold after the Closing Date by the Parent or its Subsidiaries (excluding any products that are designed by the XPD product development group and are not binding and laminating products).

"Office Products Intellectual Property" shall mean all (i) Company Intellectual Property used, acquired for use, or developed for use solely for the Office Products Business as of immediately prior to the Closing; (ii) Intellectual Property used solely in the Office Products Business and developed by the Company Business after the Closing and prior to the License Commencement Date; (iii) Intellectual Property acquired by the Company Business after the Closing and prior to the License Commencement Date solely for use in the Office Products Business; and (iv) rights obtained by the Company Business after the Closing and prior to the License Commencement Date solely for use in the Office Products Business pursuant to any license agreement between the Company and any third party.

"Optionholders" shall have the meaning provided in the Stock Purchase Agreement.

"Parent" shall have the meaning set forth in the Recitals.

"Patents" shall mean issued U.S. and foreign patents and pending patent applications, and any and all divisions, continuations, continuations-in-part, reissues, reexaminations and extensions thereof, any counterparts claiming priority therefrom, utility models, patents of importation/confirmation/addition, certificates of invention and like statutory rights.

"Permitted Lien" shall mean any: (i) Lien in favor of the Stockholder Representative granted pursuant to any Transaction Document; (ii) Lien for taxes if obligations with respect to such taxes are being contested in good faith by appropriate proceedings; (iii)

statutory Lien of landlords, banks (and rights of set-off), of carriers, warehousemen, mechanics, repairmen, workmen and materialmen, and any other Lien imposed by law, in each case incurred in the ordinary course of business for amounts not yet overdue or for amounts that are overdue and that (in the case of any such amounts overdue for a period in excess of ten (10) days) are being contested in good faith by appropriate proceedings; and (iv) Lien in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods.

"Permitted Sale" shall mean any: (i) sale or other disposition of Goods in the ordinary course of business and (ii) sale or other disposition of obsolete or materially damaged Goods.

"Person" shall mean a natural person, partnership corporation, limited liability company, business trust, trust, unincorporated association, joint venture, governmental entity or other entity or organization.

"Proprietary Information" shall mean all confidential information, including source code, object code, software tools, designs, schematics, plans or any other information of the Company or its Subsidiaries that is contained in any media now known or hereafter developed, and any reports, investigations, experiments, research or development work or notes, experimental work, work in progress, drawings, designs, plans, proposals, marketing or sales information, financial projections and other information, cost, summaries, pricing information, and all concepts, ideas, plans, materials or information related to the Company or its Subsidiaries, their present or future products, services, sales, suppliers, customers, employees, investors or businesses, whether or not such information would be enforceable as a trade secret or the copying of which would be enjoined or restrained by a court as constituting unfair competition.

"Record" shall have the meaning specified in the UCC.

"Secured Party" shall mean, prior to the License Commencement Date, the Stockholder Representative and, as of and after the License Commencement Date, the Licensing Entity or any of its permitted successors or assigns.

"Shared Intellectual Property" shall mean all Intellectual Property (whether owned or obtained by the Company prior to the Closing or by the Company or its Affiliates after the Closing) used, acquired for use, or developed for use in both the Creative Business and the Office Products Business as of the License Commencement Date.

"Software Embedded in Goods" means, with respect to any Goods, any computer program embedded in Goods and any supporting information provided in connection with a transaction relating to the program if (i) the program is associated with the Goods in such a manner that it customarily is considered part of the Goods or (ii) by becoming the owner of the Goods a person acquires a right to use the program in connection with the Goods.

"State" shall mean a State of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the United States.

"Stockholder Representative" shall mean JM or any substitute Stockholder Representative selected in accordance with Section 12.2(c) of the Stock Purchase Agreement.

"Stockholders" shall have the meaning provided in the Stock Purchase Agreement.

"Stock Purchase Agreement" shall have the meaning set forth in the Recitals.

"Subsidiary" shall mean, with respect to any Person, any corporation or other organization, whether incorporated or unincorporated, of which (i) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries or (ii) such Person or any other Subsidiary of such Person is a general partner (excluding any such partnership where such Person or any Subsidiary of such party does not have a majority of the voting interest in such partnership).

"Subsidiary Merger" shall mean the merger of the Buyer with and into the Grantor as contemplated by the terms of, and as described in, the Stock Purchase Agreement.

"Surviving Corporation" shall mean the surviving corporation in the Subsidiary Merger.

"Tax Code" shall mean the United States Internal Revenue Code of 1986, as amended from time to time.

"Termination Date" shall have the meaning set forth in Section 7.2 hereof.

"Trademarks" shall mean U.S. and foreign registered and unregistered trademarks, trade dress, service marks, logos, trade names, corporate names or other indicia of origin under federal, state or common law, and all registrations and applications to register the same, and all associated goodwill.

"Trade Secrets" shall mean all categories of trade secrets as defined in the Uniform Trade Secrets Act or similar foreign laws, including business information and know-how.

"Transaction Documents" shall mean the Stock Purchase Agreement, this Agreement and the Creative Business License Agreement.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York.

1.2 Definitions; Interpretation. All capitalized terms used herein (including the Preamble and Recitals hereto) and not otherwise defined herein shall have the meanings ascribed thereto in the UCC. A reference to a party in this Agreement shall include such party's successors and permitted assigns. A reference to the Buyer, the Grantor or the Company in this Agreement shall mean, after the effective time of the Subsidiary Merger, the Surviving Corporation. References to "Sections," "Annexes" and "Schedules" shall be to Sections, Annexes and Schedules, as the case may be, of this Agreement unless otherwise specifically provided. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect. Any of the terms defined herein may, unless the context otherwise

requires, be used in the singular or the plural, depending on the reference. The use herein of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not nonlimiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter. If any conflict or inconsistency exists between this Agreement and the Stock Purchase Agreement, this Agreement shall govern. All references herein to provisions of the UCC shall include all successor provisions under any subsequent version or amendment to any Article of the UCC.

SECTION 2. GRANT OF SECURITY

2.1 Grant of Security. The Grantor hereby grants to the Secured Party a security interest and continuing lien on all of such Grantor's right, title and interest in, to and under the following personal property of such Grantor, wherever located (all of which being hereinafter collectively referred to as the "Collateral"): (a) the Creative Business Intellectual Property and (b) any and all owned or hereafter acquired Goods primarily used or designated for use in the Creative Business.

2.2 Certain Limited Exclusions. Notwithstanding anything herein to the contrary, in no event shall the security interest granted under Section 2.1 hereof attach to any: (a) lease, license, contract, property rights as of the date hereof to which the Grantor or any of its Affiliates is a party or any of its or their rights or interests thereunder if and for so long as the grant of such security interest shall constitute or result in (i) the abandonment, invalidation or unenforceability of any right, title or interest of the Grantor therein or (ii) in a breach or termination pursuant to the terms of, or a default under, any such lease, license, contract property rights or agreement (other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law (including the Bankruptcy Code) or principles of equity), provided, however, that such security interest shall attach immediately at such time as the condition causing such abandonment, invalidation or unenforceability shall be remedied and, to the extent severable, shall attach immediately to any portion of such Lease, license, contract, property rights or agreement that does not result in any of the consequences specified in (i) or (ii); or (b) any Excluded Collateral.

SECTION 3. SECURITY FOR OBLIGATIONS.

3.1 Security for Obligations. This Agreement secures, and the Collateral is collateral security for, the complete performance in full when due of all of the obligations of the (a) Buyer under Section 2.5(b) and 8.1 of the Stock Purchase Agreement and (b) Buyer and Grantor under Section 2.1 and Section 4 of the Creative Business License Agreement.

3.2 Continuing Liability under Collateral. Notwithstanding anything herein to the contrary, (a) the Grantor shall remain liable for all obligations under the Collateral and nothing contained herein is intended or shall be a delegation of duties to the Secured Party and (b) the exercise by the Secured Party of any of its rights hereunder shall not release the Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral.

SECTION 4. COVENANTS.

4.1 Covenants and Agreements. The Grantor hereby covenants and agrees that:

(a) except for the security interest created by this Agreement, it shall not create or suffer to exist any Lien upon or with respect to any of the Collateral, except Permitted Liens, and such Grantor shall defend the Collateral against all Persons at any time claiming any interest therein;

(b) except for the Subsidiary Merger, it shall not change Grantor's name, corporate structure (e.g., by merger, consolidation, change in corporate form or otherwise), sole place of business, chief executive office, type of organization or jurisdiction of organization unless it shall have (i) notified the Secured Party in writing, at least fifteen (15) days prior to any such change or establishment, identifying such new proposed name, corporate structure, sole place of business, chief executive office, type of organization or jurisdiction of organization and providing such other information in connection therewith as the Secured Party may reasonably request and (ii) taken all actions necessary or advisable to maintain the continuous validity, perfection and the same or better priority of the Secured Party's security interest in the Collateral granted hereby;

(c) it shall not take or permit any action which could impair the Secured Party's rights in the Collateral; and

(d) except for (i) the Subsidiary Merger, (ii) Permitted Sales and (iii) sales, transfers of ownership or title or other dispositions with the prior written consent of the Secured Party, which consent shall not be unreasonably withheld, it shall not sell, assign (by operation of law or otherwise) or transfer ownership or title to any Collateral.

Notwithstanding the foregoing or anything to the contrary in this Agreement, the Grantor may take any actions permitted to be taken by it pursuant to the terms of the Creative Business License Agreement.

SECTION 5. FURTHER ASSURANCES.

5.1 Further Assurances.

(a) The Grantor agrees that from time to time, at the expense of the Grantor, it shall promptly Authenticate, execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Secured Party may reasonably request, in order to create and/or maintain the validity, perfection or priority of and protect any security interest granted hereby or to enable the Secured Party 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) file such financing or continuation statements, or amendments thereto, and execute and deliver such other agreements, instruments, endorsements or notices, as may be necessary or desirable, or as the Secured Party may reasonably request, in order to perfect and preserve the security interests granted; and

- (ii) at the Secured Party's request and sole expense, appear in and defend any action or proceeding that may affect such Grantor's title to or the Secured Party's security interest in all or any part of the Collateral.

(b) The Grantor hereby authorizes the filing, effective as of the date hereof, of financing statements, or any similar document or other documents, in each case reasonably acceptable to the Parent, in any jurisdictions and with any filing offices as the Secured Party may reasonably determine are necessary to perfect the security interest granted to the Secured Party herein. Such financing statements and other documents shall name the Grantor as debtor and describe the Collateral in the same manner as described herein. The Grantor hereby further authorizes the (i) filing of continuation statements and amendments to such financing statements and other documents and (ii) such additional financing statements and other documents, in each case reasonably acceptable to the Parent, as the Secured Party may reasonably determine are necessary in order to preserve and/or perfect the security interests granted hereby. The Grantor shall furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Secured Party may reasonably request, all in reasonable detail.

(c) Notwithstanding anything to the contrary in this Agreement, if at any time following the date hereof, Intellectual Property allocated or otherwise deemed to be Creative Business Intellectual Property for purposes of the Creative Business License Agreement is re-allocated or otherwise deemed not to be Creative Business Intellectual Property for purposes of the Creative Business License Agreement, then the parties hereto will take all steps necessary or advisable to revise this Agreement and any financing statements, or any similar document or other documents, to evidence such change.

SECTION 6. REMEDIES.

6.1 Remedies. If any Event of Default shall have occurred and be continuing, the Secured Party may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it at law or in equity, all the rights and remedies of the Secured Party on default under the UCC. In addition to the foregoing, after an Event of Default shall have occurred and be continuing, if such Event of Default is not cured by the Grantor within thirty (30) days after receipt by the Grantor of written notice from the Secured Party, the Secured Party may require the Grantor to, and the Grantor hereby agrees that it shall at its expense and promptly upon request of the Secured Party forthwith, deliver, or cause to be delivered, all or part of the Collateral as directed by the Secured Party.

SECTION 7. CONTINUING SECURITY INTEREST; TRANSFER OF SECURED OBLIGATIONS; TERMINATION.

7.1 Continuing Security Interest; Transfer of Secured Obligations. This Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until the Termination Date, be binding upon the Grantor, its successors and assigns, and inure, together with the rights and remedies of the Secured Party hereunder, to the benefit of the Secured Party and its successors, transferees and assigns as provided in Section 8.3.

7.2 Termination. Upon (i) termination of the Creative Business License Agreement in accordance with its terms, (ii) the expiration of the License Right without it being exercised, or the occurrence of any event that results in Section 8.1 of the Stock Purchase

Agreement becoming null and void, in each instance, in accordance with the terms of the Stock Purchase Agreement or (iii) the transfer of title to the Collateral from the Buyer or the Grantor to the Licensing Entity (as such term is used in the Creative Business License Agreement), this Agreement and the security interest granted hereby shall terminate hereunder and of record and all rights to the Collateral shall revert and be deemed reassigned to Grantor (the date of such termination, the "Termination Date"). Upon any such termination, the Secured Party shall, at the Grantor's request execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination reversions and/or reassignment, without recourse, representation or warranty of any kind.

SECTION 8. MISCELLANEOUS.

8.1 Notices. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given to the Grantor or the Secured Party, shall be sent to the following address.

(a) if to the Grantor or the Buyer, to:

Xyron, Inc.
15820 N. 84th Street
Scottsdale, AZ 85260
Attention: President
Facsimile: 480-443-0118

with a copy to:

Esselte Holdings, Inc.
44 Commerce Road
Stamford, CT 06902-4561
Attention: John O'Connor, Esq.
Facsimile: 203-355-9010

(b) if to the Secured Party, to

JM Stockholder Representative, LLC
1323 Waterford Road
Woodbury, MN 55125
Facsimile: 651-730-7011

Each notice hereunder shall be in writing and may be personally served, telexed or sent by telefacsimile or United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service and signed for against receipt thereof, upon receipt of telefacsimile or telex, or three (3) business days after depositing it in the United States mail with postage prepaid and properly addressed. Notice provided by e-mail shall not be deemed to satisfy the delivery requirements set forth herein.

8.2 Amendments and Waivers.

(a) Subject to Section 8.2(b), no amendment, modification, termination or waiver of any provision of this Agreement, or consent to any departure by the Grantor therefrom, shall in any event be effective without the written concurrence of the Secured Party.

(b) No failure or delay on the part of the Secured Party in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other power, right or privilege. All rights, powers and remedies existing under this Agreement are cumulative, and not exclusive of, any rights or remedies otherwise available. Any forbearance or failure to exercise, and any delay in exercising, any right, power or remedy hereunder shall not impair any such right, power or remedy or be construed to be a waiver thereof, nor shall it preclude the further exercise of any such right, power or remedy.

8.3 Successors and Assigns.

(a) This Agreement shall be binding upon the parties hereto and their respective successors and assigns. Neither the Grantor nor the Secured Party shall, without the prior written consent of the other party hereto, assign any right, duty or obligation hereunder; provided, that this Agreement may be assigned by operation of law in the Subsidiary Merger to the Surviving Corporation.

(b) Notwithstanding anything in this Agreement to the contrary, as of the License Commencement Date, JM or its successor as Stockholder Representative shall transfer and assign, in whole, but not in part, this Agreement and all associated rights and obligations hereunder to the Licensing Entity, and the Licensing Entity shall assume, in whole, but not in part, this Agreement and all associated rights and obligations hereunder, all in accordance with Section 8.1 of the Stock Purchase Agreement. If prior to such transfer and assignment to the Licensing Entity, JM is replaced as the Stockholder Representative in accordance with Section 12.2(c) of the Stock Purchase Agreement, this Agreement and all the rights and obligations hereunder of JM shall be transferred to and assumed in whole, and not in part, by any such substitute Stockholder Representative. Upon such transfer in accordance with this Section 8.3(b), the transferor shall be fully and forever released from all future obligations set forth herein to the extent permitted by applicable law, but not from any causes of action or liabilities arising before such transfer.

8.4 Severability. In case any provision in or obligation hereunder shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

8.5 Headings. Section headings herein are included herein for convenience of reference only and shall not constitute a part hereof for any other purpose or be given any substantive effect.

8.6 Applicable Law; Consent to Jurisdiction. **THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. IN ADDITION, EACH OF THE PARTIES HERETO (A) CONSENTS TO SUBMIT ITSELF TO THE PERSONAL JURISDICTION OF ANY FEDERAL COURT LOCATED IN THE STATE OF NEW YORK OR ANY NEW YORK STATE COURT IN THE EVENT ANY DISPUTE ARISES OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, (B) AGREES THAT IT SHALL NOT ATTEMPT TO DENY OR DEFEAT SUCH PERSONAL JURISDICTION BY MOTION OR OTHER REQUEST**

FOR LEAVE FROM ANY SUCH COURT AND (C) AGREES THAT IT SHALL NOT BRING ANY ACTION RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT IN ANY COURT OTHER THAN A FEDERAL OR STATE COURT SITTING IN THE STATE OF NEW YORK.

8.7 Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING HEREUNDER. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN ITS RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SECTION 8.7 AND EXECUTED BY EACH OF THE PARTIES HERETO), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS HERETO. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

8.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

8.9 Entire Agreement. This Agreement and the other Transaction Documents embody the entire agreement and understanding between the Grantor and the Secured Party and supersede all prior agreements and understandings between such parties relating to the subject matter hereof and thereof. Accordingly, the Transaction Documents may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.


8.10 Resolution of Disputes Regarding Creative Business Collateral. The Secured Party acknowledges that the Grantor has not assessed and does not admit to the accuracy of Schedule A attached hereto. The Secured Party (i) further acknowledges that the Grantor reserves the right and opportunity to contest the accuracy of such Schedule A; (ii) agrees to cooperate in good faith to resolve any contest by the Buyer in accordance with the preceding clause (i); and (iii) agrees to revise or provide such assistance as requested by the Secured Party to revise any financing statements, or any similar document or other documents, filed in accordance herewith to evidence the security interest and lien granted hereby in connection with any resolution of any contest by the Buyer in accordance with the preceding clause (ii). The parties agree to cooperate in good faith to reach an agreement on a revision to Schedule A

attached hereto in the event of any contest by the Buyer of the accuracy of such Schedule A, and if no such agreement can be reached, then the proper form and contents of Schedule A will be determined by an independent third party mutually agreed upon by the parties, and such determination by the independent third party will be binding on the parties.

[Signature Page Follows]

IN WITNESS WHEREOF, the Grantor and the Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

XYRON, INC.

By: 
Name: John J. O'Connor
Title: Treasurer

J.M. STOCKHOLDER REPRESENTATIVE, LLC


By: _____
Name:
Title:

IN WITNESS WHEREOF, the Grantor and the Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

XYRON, INC.

By: _____
Name:
Title:

J.M. STOCKHOLDER REPRESENTATIVE, LLC

By:  _____
Name:
Title:

SCHEDULE A

A. Patents

<u>Country</u>	<u>Application No.</u>	<u>Filing Date</u>	<u>Pat. No. (if any)</u>	<u>Client Ref. w/ Pillsbury Winthrop(if any)</u>	<u>Status</u>
US	60/091,295	6/30/98		4 Pro	Completed
US	09/343,676	6/30/99	6,403,185	4 Reg	Issued
BR	PI9911644-8	6/29/99		4-BR	Pending
CA	2335316	6/29/99		4-CA	Pending
JP	2000-557317	6/29/99		4-JP	Published as 2002-5194727
MX	12788	6/29/99		4-MX	Pending
AU	48204/99	6/29/99	747200	4-AU	Issued
EP	99931771.2	6/29/99		4-EP	Published as 1093501
TW	88111106	6/30/99	TW154311	4-TW	Issued
US	10/051,150	1/22/02		4-DIV	Pending
US	09/365,751	8/3/99	6,335,067	5 Reg	Issued
US	09/564,587	5/5/00	6,422,281	9 Reg	Issued
TW	89108610	5/4/00	140485	9-TW	Issued
BR	PI 0010591-0	5/4/00		9-BR	Pending
JP	2000-615215	5/4/00		9-JP	Pending
EP	00928776.4	5/4/00		9EP	Pending
CN	00808509.9	5/4/00		9 CN	Pending
CA	2372950	5/4/00		9 CA	Pending
AU	46958/00	5/4/00	755060	9 AU	Issued
HK	02102728.3	4/10/02		9 HK	Pending
MX	PA/A2001/011211	5/4/00		9 MX	Pending
US	10/139,397	5/7/02		9 Div	Pending
US	09/798,891	3/6/2001	6,539,997	12 Reg	Issued
EP	03250671.9	2/3/03		12-EP	Pending
JP	2003-055064	3/3/03		12 JP	Pending
US	09/691,042	10/19/2000	6,576,080	13-REG	Issued
US	10/339,575	1/10/03		13-DIV	Pending
EP	00984559.5	10/20/00		13 EP	Published as 1224075
CN	814557-1	10/20/00	CN 1382082A	13 CN	Issued
CA	2387008	10/20/00		13 CA	Pending
MX	PA/A/2002 003956	10/20/00		13 MX	Pending
BR	PI 0015238-2	10/20/00		13 BR	Pending
JP	2001-531578	10/20/00		13 JP	Published as 2003-515431
US	10/372,807	2/26/03		14 CIP	Pending

US	09/814,118	3/22/01		15 Reg	Pending (decision made to abandon, but technically still pending)
PCT	WO/02/076694	3/22/02		15 PCT	Pending (decision made to abandon, but technically still pending)
US	29/137,891	3/2/01	DES 451,959	20 Des	Issued
US	29/150,026	10/31/01	DES 459,396	20 Des -CIP	Issued
US	10/197,856	7/19/02		26 Reg	Pending
PCT	PCT/US02/ 23206	7/19/02		26 PCT	Pending
US	08/716,360	3/17/95		27REG	Pending
US	10/176,216	6/21/02		27-DIV	Pending
DE	69518835	3/17/95	DE69518835		Issued
EP	95911433.1	3/17/95	EP0756721		Issued
IT	EP split	3/17/95	IT756721		Issued
NE	EP split	3/17/95	NE756721		Issued
FR	EP split	3/17/95	FR756721		Issued
SW	EP split	3/17/95	SW756721		Issued
GB	EP split	3/17/95	GB756721		Issued
US	08/454,334	3/1/96	5,842,096	28 Reg	Issued
US	09/079,182	5/14/98	6,198,898	29 Reg	Issued
AU	5707194	12/17/93	AU681616		Issued
CA	2152060	12/17/93			Pending
DE	EP split	12/17/93	DE69324602		Issued
EP	94902901.1	12/17/93	EP0674779		Issued
FR	EP split	12/17/93	FR674779		Issued
IT	EP split	12/17/93	IT674779		Issued
SW	EP split	12/17/93	SW674779		Issued
NE	EP split	12/17/93	NE674779		Issued
GB	9325904.2	12/17/93	GB2273466		Issued
US	10/178,615	6/25/02		30 Reg	Pending
PCT	Not yet assigned	6/19/03		30 PCT	Pending
US	60/441,732	1/23/03		34 PRO	Pending
US	60/441,350	1/22/03		38 PRO	Pending
US	60/477,914	6/13/03		44 Pro	Pending
US	60/462,741	4/15/03		45 PRO	Pending
US	10/673,579	9/30/03		4 Div 2	Pending
BR	Awaiting #	7/19/02		26 BR	Pending
CN	02806225.6	7/19/02		26 CN	Pending
JP	2003-513777	7/19/02		26 JP	Pending
AU	2002317551	7/19/02		26 AU	Pending