

Form PTO-1595 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002)

RECORDATION FORM COVER SHEET
PATENTS ONLY

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

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

<p>1. Name of conveying party(ies): Fitness Quest, Inc.</p> <p>Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>2. Name and address of receiving party(ies)</p> <p>Name: <u>J.W. Childs Equity Partners III, L.P.</u> Internal Address: <u>c/o J.W. Childs Associates, L.P.</u> Street Address: <u>111 Huntington Avenue</u> <u>Suite 2900</u></p> <p>City: <u>Boston</u></p> <p>State: <u>Massachusetts</u> Zip: <u>02199</u></p> <p>Additional name(s) & address(es) attached: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p>3. Nature of Conveyance:</p> <p><input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other _____</p> <p>Execution Date: <u>October 20, 2004</u></p>	

4. Application number(s) or patent number(s):
 If this document is being filed together with a new application, the execution date of the new application is: _____

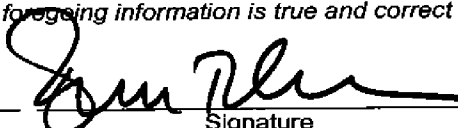
<p>A. Patent Application No.(s):</p> <p>29/188,307 10/750,433 60/524,139 10/758,447 10/758,448</p>	<p>B. Patent No.(s):</p> <p>5,154,678 D342,298 6,110,079</p>
Additional numbers attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

<p>5. Name and address of party to whom correspondence concerning document should be mailed:</p> <p>Name: <u>Ronald Duvernay, IP Paralegal</u></p> <p>Internal Address: <u>Atty. Docket No.: JWCH-004</u></p> <p>Street Address: <u>Ropes & Gray LLP</u> <u>One International Place</u></p> <p>City: <u>Boston</u> State: <u>MA</u> Zip: <u>02110</u></p>	<p>6. Total number of applications and patents involved: <u>8</u></p> <p>7. Total fee (37 CFR 3.41) \$ <u>320.00</u></p> <p><input type="checkbox"/> Enclosed <input checked="" type="checkbox"/> Authorized to be charged to deposit account <input type="checkbox"/> Authorized to be charged to credit card (Form 2038 enclosed)</p> <p>8. Deposit account number: <u>18-1945</u> (Attach duplicate copy of this page if paying by deposit account)</p>
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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.

Emilia F. Cannella, Esq. Name of Person Signing	 Signature	<u>January 28, 2005</u> Date
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Total number of pages including cover sheet, attachments, and documents: 29

CH \$320.00 181945 29188307

**RECORDATION FORM COVER SHEET
ADDITIONAL PAGE FOR CONTINUING INFORMATION**

Attachment to Item 2.

Name and Address of Additional Receiving Party:

JWC Fund III Co-Invest, L.L.C.
c/o J.W. Childs Associates, L.P.
111 Huntington Avenue, Suite 2900
Boston, Massachusetts 02199

SECURITY AGREEMENT

This Security Agreement (the "*Agreement*") is dated as of October 20, 2004, by and among Fitness Acquisition, Inc., to become known as Fitness Quest Inc., a Delaware corporation (the "*Borrower*"), and the other parties executing this Agreement under the heading "*Debtors*" (the Borrower and such other parties, along with any parties who execute and deliver to the Secured Creditors an agreement substantially in the form attached hereto as Schedule H, being hereinafter referred to collectively as the "*Debtors*" and individually as a "*Debtor*"), each with its mailing address as set forth in Section 14(b) below, and the Purchasers as identified on the signature pages hereto (the "*Purchasers*"), with its mailing address as set forth in Section 14(b) below.

PRELIMINARY STATEMENTS

A. The Borrower, Fitness Holdings, Inc., the Guarantors (as defined therein), and the Purchasers have entered into a Securities Purchase Agreement dated as of October 20, 2004 (such Securities Purchase Agreement, as the same may be amended or modified from time to time, including amendments and restatements thereof in its entirety, being hereinafter referred to as the "*Securities Purchase Agreement*"), pursuant to which the Purchasers have agreed, subject to certain terms and conditions, to purchase Notes (defined therein) and Warrants (defined therein) from the Borrower (the Purchasers, being hereinafter referred to collectively as the "*Secured Creditors*" and individually as a "*Secured Creditor*").

B. As a condition to extending credit to the Borrower under the Securities Purchase Agreement, the Secured Creditors have required, among other things, that each Debtor grant to the Secured Creditors a lien on and security interest in the personal property and fixtures of such Debtor described herein subject to the terms and conditions hereof. The liens and security interests provided for in this Agreement are subordinated in the manner and to the extent set forth in that certain Subordination and Intercreditor Agreement (as amended, the "*Subordination Agreement*") dated as of October 20, 2004 among, the Borrower, the Purchasers, as the Subordinated Creditor (as defined therein), and Harris Trust and Savings Bank, as Agent, to the Senior Indebtedness (as defined therein).

C. The Borrower owns, directly or indirectly, equity interests in each other Debtor and the Borrower provides each of the other Debtors with financial, management, administrative, and technical support which enables such Debtors to conduct their businesses in an orderly and efficient manner in the ordinary course.

D. Each Debtor will benefit, directly or indirectly, from credit and other financial accommodations extended by the Secured Creditors to the Borrower.

NOW, THEREFORE, for good and valuable consideration, receipt whereof is hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Terms defined in Securities Purchase Agreement. Except as otherwise provided in Section 2 below, all capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Securities Purchase Agreement. The term "Senior Credit Agreement" shall mean the Credit Agreement dated as of October 20, 2004 by and among Borrower, Fitness Holdings, Inc., Harris Trust and Savings Bank, and the Lenders, as named therein. The term "Debtor" and "Debtors" as used herein shall mean and include the Debtors collectively and also each individually, with all grants, representations, warranties, and covenants of and by the Debtors, or any of them, herein contained to constitute joint and several grants, representations, warranties, and covenants of and by the Debtors; *provided, however,* that unless the context in which the same is used shall otherwise require, any grant, representation, warranty or covenant contained herein related to the Collateral shall be made by each Debtor only with respect to the Collateral owned by it or represented by such Debtor as owned by it.

Section 2. Grant of Security Interest in the Collateral. As collateral security for the Secured Obligations defined below, each Debtor hereby grants to the Secured Creditors a lien on and security interest in, and right of set-off against, and acknowledges and agrees that the Secured Creditors have and shall continue to have a continuing lien on and security interest in, and right of set-off against, all right, title, and interest in and to all personal property and fixtures of each Debtor, whether now owned or existing or hereafter created, acquired or arising, including all of the following:

- (a) Accounts;
- (b) Chattel Paper;
- (c) Instruments (including Promissory Notes);
- (d) Documents;
- (e) General Intangibles (including Payment Intangibles, tax refunds, Software, and patents, trademarks, tradestyles, copyrights, and all other intellectual property rights, including all applications, registration, and licenses therefor, and all goodwill of the business connected therewith or represented thereby);
- (f) Letter-of-Credit Rights;
- (g) Supporting Obligations;
- (h) Deposit Accounts;
- (i) Investment Property (including certificated and uncertificated Securities, Securities Accounts, Security Entitlements, Commodity Accounts, and Commodity Contracts);

- (j) Inventory;
- (k) Equipment (including all software, whether or not the same constitutes embedded software, used in the operation thereof);
- (l) Fixtures;
- (m) Commercial Tort Claims (as described on Schedule F hereto or on one or more supplements to this Agreement);
- (n) Rights to merchandise and other Goods (including rights to returned or repossessed Goods and rights of stoppage in transit) which is represented by, arises from, or relates to any of the foregoing;
- (o) Monies, personal property, and interests in personal property of such Debtor of any kind or description now held by any Secured Creditor or at any time hereafter transferred or delivered to, or coming into the possession, custody or control of, any Secured Creditor, or any agent or affiliate of any Secured Creditor, whether expressly as collateral security or for any other purpose (whether for safekeeping, custody, collection or otherwise), and all dividends and distributions on or other rights in connection with any such property;
- (p) Supporting evidence and documents relating to any of the above-described property, including, without limitation, computer programs, disks, tapes and related electronic data processing media, and all rights of such Debtor to retrieve the same from third parties, written applications, credit information, account cards, payment records, correspondence, delivery and installation certificates, invoice copies, delivery receipts, notes and other evidences of indebtedness, insurance certificates and the like, together with all books of account, ledgers, and cabinets in which the same are reflected or maintained;
- (q) Accessions and additions to, and substitutions and replacements of, any and all of the foregoing; and
- (r) Proceeds and products of the foregoing, and all insurance of the foregoing and proceeds thereof;

all of the foregoing being herein sometimes referred to as the "*Collateral*." All terms which are used in this Agreement which are defined in the Uniform Commercial Code of the State of Illinois as in effect from time to time ("*UCC*") shall have the same meanings herein as such terms are defined in the UCC, unless this Agreement shall otherwise specifically provide. For purposes of this Agreement, the term (a) "*Receivables*" means all rights to the payment of a monetary obligation, whether or not earned by performance, and whether evidenced by an Account, Chattel Paper, Instrument, General Intangible, or otherwise and (b) "*Subsidiary Interests*" means all equity interests held by a Debtor in its Subsidiaries, whether such equity interests constitute Investment Property or General Intangibles under the UCC.

Section 3. Secured Obligations. This Agreement is made and given to secure, and shall secure, the prompt payment and performance when due of (a) any and all indebtedness, obligations, and liabilities of the Debtors, and of any of them individually, to the Secured Creditors, and to any of them individually, under or in connection with or evidenced by the Securities Purchase Agreement or any other Securities Document, including, without limitation, all obligations evidenced by the Notes of the Borrower heretofore or hereafter issued under the Securities Purchase Agreement, and all obligations of the Debtors, and of any of them individually, arising under any guaranty issued by it relating to the foregoing or any part thereof, in each case whether now existing or hereafter arising (and whether arising before or after the filing of a petition in bankruptcy and including all interest accrued after the petition date), due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held or acquired and (b) any and all reasonable expenses and charges, legal or otherwise, suffered or incurred by the Secured Creditors, and any of them individually, in collecting or enforcing any of such indebtedness, obligations, and liabilities or in realizing on or protecting or preserving any security therefor, including, without limitation, the lien and security interest granted hereby (all of the indebtedness, obligations, liabilities, expenses, and charges described above being hereinafter referred to as the "*Secured Obligations*"). Notwithstanding anything in this Agreement to the contrary, the right of recovery against any Debtor under this Agreement (other than the Borrower to which this limitation shall not apply) shall not exceed \$1.00 less than the lowest amount which would render such Debtor's obligations under this Agreement void or voidable under applicable law, including fraudulent conveyance law.

Section 4. Covenants, Agreements, Representations and Warranties. Each Debtor hereby covenants and agrees with, and represents and warrants to, the Secured Creditors that:

(a) Each Debtor is duly organized and validly existing in good standing under the laws of the jurisdiction of its organization. Each Debtor is the sole and lawful owner of its Collateral, and has full right, power, and authority to enter into this Agreement and to perform each and all of the matters and things herein provided for. The execution and delivery of this Agreement, and the observance and performance of each of the matters and things herein set forth, will not (i) contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon any Debtor or any provision of any Debtor's organizational documents (e.g., charter, articles or certificate of incorporation and by-laws, articles or certificate of formation and limited liability company operating agreement, partnership agreement or similar organizational documents) or any covenant, indenture or agreement of or affecting any Debtor or any of its property, in each case where such contravention or default, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, or (ii) result in the creation or imposition of any lien or encumbrance on any property of any Debtor except for the lien and security interest granted to the Secured Creditors hereunder.

(b) Each Debtor's chief executive office is at the location listed under Column 2 on Schedule A attached hereto opposite such Debtor's name; and such Debtor has no other executive offices or places of business other than those listed under Column 3 on Schedule A attached hereto opposite such Debtor's name. The Collateral is and shall remain (subject to the following sentence) in such Debtor's possession or

control at the locations listed under Columns 2 and 3 on Schedule A attached hereto opposite such Debtor's name, except for (i) Collateral which in the ordinary course of such Debtor's business as presently conducted is in transit to or between the Permitted Collateral Locations, (ii) Inventory which in the ordinary course of such Debtor's business as presently conducted is being shipped to purchasers thereof and (iii) Inventory located elsewhere in the ordinary course of business which does not exceed \$100,000 at any one location or aggregate more than \$300,000 as to all such locations (collectively the "*Permitted Collateral Locations*"). If for any reason any Collateral is at any time kept or located at a location other than a Permitted Collateral Location, the Secured Creditors shall nevertheless have and retain a lien on and security interest therein. The Debtors own and shall at all times own all Permitted Collateral Locations except to the extent otherwise disclosed under Columns 2 and 3 on Schedule A. No Debtor shall move its chief executive office or maintain a place of business at a location other than those specified under Columns 2 and 3 on Schedule A or permit any Collateral to be located at a location other than a Permitted Collateral Location, in each case without first providing the Secured Creditors at least 30 days prior written notice of such Debtor's intent to do so; *provided* that each Debtor shall at all times maintain its chief executive office, places of business, and, unless otherwise specifically agreed to in writing by the Secured Creditors, Permitted Collateral Locations in the United States of America and such Debtor shall have taken all action requested by the Secured Creditors to maintain the lien and security interest of the Secured Creditors in the Collateral at all times fully perfected and in full force and effect (at which time Schedule A shall be deemed amended to include such new locations).

(c) Each Debtor's legal name, jurisdiction of organization and organizational number (if any) are correctly set forth under Column 1 on Schedule A of this Agreement. No Debtor has transacted business at any time during the immediately preceding five-year period, and does not currently transact business, under any other legal names or trade names other than the prior legal names and trade names (if any) set forth on Schedule B attached hereto. No Debtor shall change its jurisdiction of organization without the Secured Creditors' prior written consent. No Debtor shall change its legal name or transact business under any other trade name without first giving 30 days' prior written notice of its intent to do so to the Secured Creditors.

(d) The Collateral and every part thereof is and shall be free and clear of all security interests, liens (including, without limitation, mechanics', laborers' and statutory liens), attachments, levies, and encumbrances of every kind, nature, and description and whether voluntary or involuntary, except for the lien and security interest of the Secured Creditors therein and as otherwise permitted by Section 8.8 of the Senior Credit Agreement (herein, the "*Permitted Liens*"). Except for Permitted Liens, each Debtor shall warrant and defend the Collateral against any claims and demands of all persons at any time claiming the same or any interest in the Collateral adverse to the Secured Creditors.

(e) Each Debtor shall promptly pay when due all taxes, assessments, and governmental charges and levies upon or against such Debtor or any of its Collateral, in

each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings which prevent foreclosure or other realization upon any of the Collateral and preclude interference with the operation of such Debtor's business in the ordinary course, and such Debtor shall have established adequate reserves therefor.

(f) No Debtor shall knowingly use, manufacture, sell or distribute any Collateral in violation of any statute, ordinance or other governmental requirement. No Debtor shall waste or destroy the Collateral or any part thereof or be negligent in the care or use of any Collateral. Each Debtor shall perform its obligations under any contract or other agreement constituting part of the Collateral, it being understood and agreed that the Secured Creditors have no responsibility to perform such obligations.

(g) Subject to Sections 5(c), 6(a), 7(b), 7(c), and 8(c) hereof and the terms of the Senior Credit Agreement (including, without limitation, Section 8.10 thereof), each Debtor agrees it shall not, without the Secured Creditors' prior written consent, sell, assign, mortgage, lease, or otherwise dispose of the Collateral or any interest therein.

(h) The Debtors shall at all times insure the Collateral consisting of tangible personal property against such risks and hazards as other persons similarly situated insure against, and including in any event loss or damage by fire, theft, burglary, pilferage, loss in transit, and such other hazards as the Secured Creditors may specify. All insurance required hereby shall be maintained, in amounts and under policies and with insurers reasonably acceptable to the Secured Creditors, and all such policies shall contain loss payable clauses naming the Secured Party as loss payee. All premiums on such insurance shall be paid by the Debtors. Certificates of insurance evidencing compliance with the foregoing and, at the Secured Creditors' request, and the policies of such insurance shall be (or certificates therefor) delivered by the Debtors to the Secured Creditors. All insurance required hereby shall provide that any loss shall be payable to the Secured Creditors notwithstanding any act or negligence of the relevant Debtor, shall provide that no cancellation thereof shall be effective until at least 30 days after receipt by the relevant Debtor and the Secured Creditors of written notice thereof, and shall be satisfactory to the Secured Creditors in all other respects. In case of any material loss, damage to or destruction of the Collateral or any part thereof, the relevant Debtor shall promptly give written notice thereof to the Secured Creditors generally describing the nature and extent of such damage or destruction. In case of any material loss, damage to or destruction of the Collateral or any part thereof, the relevant Debtor, whether or not the insurance proceeds, if any, received on account of such damage or destruction shall be sufficient for that purpose, at such Debtor's cost and expense, shall promptly repair or replace the Collateral so lost, damaged or destroyed, except to the extent such Collateral is not necessary to the conduct of such Debtor's business in the ordinary course. In the event any Debtor shall receive any proceeds of such insurance, such Debtor shall immediately pay over such proceeds to the Secured Creditors which will thereafter be applied to the reduction of the Secured Obligations (whether or not then due) or held as collateral security therefor, as the Secured Creditors may then determine or as otherwise provided for in the Securities Purchase Agreement. Notwithstanding anything to the contrary

contained herein, the Secured Creditors agree to release insurance proceeds to the relevant Debtor for replacement or restoration of the portion of the Collateral lost, damaged or destroyed if, but only if, (i) at the time of release no Default or Event of Default exists, (ii) written application for such release is received by the Secured Creditors from the relevant Debtor within 30 days of the receipt of such proceeds, and (iii) the Secured Creditors have received evidence reasonably satisfactory to them that the collateral lost, damaged or destroyed has been or will be replaced or restored to its condition immediately prior to the loss, destruction or other event giving rise to the payment of such insurance proceeds. Each Debtor hereby authorizes the Secured Creditors, at the Secured Creditors' option, to adjust, compromise, and settle any losses under any insurance afforded and each Debtor does hereby irrevocably constitute the Secured Creditors, their officers, agents, and attorneys, and any other person whom the Secured Creditors may designate, as such Debtor's attorneys-in-fact, with full power and authority to effect such adjustment, compromise, and/or settlement and to endorse any drafts drawn by an insurer of the Collateral or any part thereof and to do everything necessary to carry out such purposes and to receive and receipt for any unearned premiums due under policies of such insurance. Unless the Secured Creditors elect to adjust, compromise or settle losses as aforesaid, any adjustment, compromise, and/or settlement of any losses under any insurance shall be made by the relevant Debtor subject to final approval of the Secured Creditors (regardless of whether or not an Event of Default shall have occurred) in the case of losses exceeding \$100,000.

UNLESS THE DEBTORS PROVIDE THE SECURED CREDITORS WITH EVIDENCE OF THE INSURANCE COVERAGE REQUIRED BY THIS AGREEMENT, THE SECURED CREDITORS MAY PURCHASE INSURANCE AT THE DEBTORS' EXPENSE TO PROTECT THE SECURED CREDITORS' INTERESTS IN THE COLLATERAL. THIS INSURANCE MAY, BUT NEED NOT, PROTECT ANY DEBTOR'S INTERESTS IN THE COLLATERAL. THE COVERAGE PURCHASED BY THE SECURED CREDITORS MAY NOT PAY ANY CLAIMS THAT ANY DEBTOR MAKES OR ANY CLAIM THAT IS MADE AGAINST SUCH DEBTOR IN CONNECTION WITH THE COLLATERAL. THE DEBTORS MAY LATER CANCEL ANY SUCH INSURANCE PURCHASED BY THE SECURED CREDITORS, BUT ONLY AFTER PROVIDING THE SECURED CREDITORS WITH EVIDENCE THAT THE DEBTORS HAVE OBTAINED INSURANCE AS REQUIRED BY THIS AGREEMENT. IF THE SECURED CREDITORS PURCHASE INSURANCE FOR THE COLLATERAL, THE DEBTORS WILL BE RESPONSIBLE FOR THE COSTS OF THAT INSURANCE, INCLUDING INTEREST AND ANY OTHER CHARGES THAT THE SECURED CREDITORS MAY IMPOSE IN CONNECTION WITH THE PLACEMENT OF THE INSURANCE, UNTIL THE EFFECTIVE DATE OF THE CANCELLATION OR EXPIRATION OF THE INSURANCE. THE COSTS OF THE INSURANCE MAY BE ADDED TO THE SECURED OBLIGATIONS SECURED HEREBY. THE COSTS OF THE INSURANCE MAY BE MORE THAN THE COST OF INSURANCE THE DEBTORS MAY BE ABLE TO OBTAIN ON THEIR OWN.

(i) Each Debtor shall at all reasonable times allow the Secured Creditors and their respective representatives free access to and right of inspection of the Collateral.

(j) If any Collateral is in the possession or control of any agents or processors of a Debtor and the Secured Creditors so requests, such Debtor agrees to notify such agents or processors in writing of the Secured Creditors' security interest therein and

instruct them to hold all such Collateral for the Secured Creditors' account and subject to the Secured Creditors' instructions. Each Debtor will, upon the request of the Secured Creditors, authorize and instruct all bailees and any other parties, if any, at any time processing, labeling, packaging, holding, storing, shipping or transferring all or any part of the Collateral to permit the Secured Creditors and their respective representatives to examine and inspect any of the Collateral then in such party's possession and to verify from such party's own books and records any information concerning the Collateral or any part thereof which the Secured Creditors or their respective representatives may seek to verify. As to any premises not owned by a Debtor wherein any of the Collateral is located, the relevant Debtor shall, unless the Secured Creditors request otherwise, cause each party having any right, title or interest in, or lien on, any of such premises to enter into an agreement (any such agreement to contain a legal description of such premises) whereby such party disclaims any right, title, and interest in and lien on the Collateral, allows the removal of such Collateral by the Secured Creditors or their agents or representatives, and otherwise is in form and substance acceptable to the Secured Creditors.

(k) Each Debtor agrees from time to time to deliver to the Secured Creditors such evidence of the existence, identity, and location of its Collateral and of its availability as collateral security pursuant hereto (including, without limitation, schedules describing all Receivables created or acquired by such Debtor, copies of customer invoices or the equivalent and original shipping or delivery receipts for all merchandise and other goods sold or leased or services rendered by it, together with such Debtor's warranty of the genuineness thereof, and reports stating the book value of its Inventory and Equipment by major category and location), in each case as the Secured Creditors may reasonably request. The Secured Creditors shall have the right to verify all or any part of the Collateral in any manner, and through any medium, which the Secured Creditors consider appropriate (including, without limitation, the verification of Collateral by use of a fictitious name), and each Debtor agrees to furnish all assistance and information, and perform any acts, which the Secured Creditors may reasonably require in connection therewith. Each Debtor shall promptly notify the Secured Creditors of any Collateral which such Debtor has determined to have been rendered obsolete, stating the prior book value of such Collateral, its type and location.

(l) Each Debtor shall comply in all material respects with the terms and conditions of all leases, easements, right-of-way agreements, and other similar agreements binding upon such Debtor or affecting the Collateral or any part thereof, and all orders, ordinances, laws, and statutes of any city, state or other governmental entity, department or agency having jurisdiction with respect to such premises wherein such Collateral is located or the conduct of business thereon.

(m) Schedule C attached hereto contains a true, complete, and current listing of all copyrights, copyright applications, trademarks, trademark rights, tradenames, patents, patent rights or licenses, patent applications and other intellectual property rights owned by each of the Debtors on the date hereof that are registered with any governmental authority. The Debtors shall promptly notify the Secured Creditors in writing on a

quarterly basis of any additional intellectual property rights (except any foreign patent licenses or applications, foreign trademark licenses or applications, and foreign copyright licenses or applications) acquired or arising after the date hereof, and shall submit to the Secured Creditors a supplement to Schedule C to reflect such additional rights (provided any Debtor's failure to do so shall not impair the Secured Creditors' security interest therein). Each Debtor owns or possesses rights to use all franchises, licenses, copyrights, copyright applications, patents, patent rights or licenses, patent applications, trademarks, trademark rights, trade names, trade name rights, copyrights and rights with respect to the foregoing which are required to conduct its business. Notwithstanding anything herein to the contrary, this Agreement shall not operate as a sale, transfer, conveyance or other assignment to the Secured Creditors of any patent licenses, trademark licenses, and copyright licenses to which the relevant Debtor is licensee to the extent the granting of a lien or security interest therein is specifically and expressly prohibited by the terms thereof; *provided, however*, that, notwithstanding anything set forth in the foregoing clause above to the contrary, (i) to the extent permitted by applicable law, the Secured Creditors shall at all times have a security interest in all rights of any Debtor to payments of money due or to become due under any such license, and all proceeds thereof, and (ii) if and when the licensor under such license consents to such security interest or the prohibition which prevents the granting of a security interest in such license is removed, terminated or otherwise becomes unenforceable as a matter of law, the Secured Creditors will be deemed to have, and at all times to have had, a security interest in such license and the Collateral will be deemed to include, and at all times to have included, such license. No event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such rights, and to the best of their knowledge the Debtors are not liable to any person for infringement under applicable law with respect to any such rights as a result of its business operations.

(n) Schedule F attached hereto contains a true, complete and current listing of all Commercial Tort Claims held or maintained by the Debtors as of the date hereof, each described by referring to a specific incident giving rise to the claim. Each Debtor agrees to execute and deliver to the Secured Creditors a supplement to this Agreement in the form attached hereto as Schedule G, or in such other form acceptable to the Secured Creditors, promptly upon becoming aware of any Commercial Tort Claim held or maintained by such Debtor arising after the date hereof and providing a description of such Commercial Tort Claim (provided any Debtor's failure to do so shall not impair the Secured Creditors' security interest therein).

(o) Each Debtor agrees to execute and deliver to the Secured Creditors such further agreements, assignments, instruments, and documents, and to do all such other things, as the Secured Creditors may reasonably deem necessary or appropriate to assure their lien and security interest hereunder, including, without limitation, (i) such financing statements, and amendments thereof or supplements thereto, and such other instruments and documents as the Secured Creditors may from time to time reasonably require to comply with the UCC and any other applicable law, (ii) such agreements with respect to patents, trademarks, copyrights, and similar intellectual property rights as the Secured Creditors may from time to time reasonably require to comply with the filing

requirements of the United States Patent and Trademark Office and the United States Copyright Office, and (iii) such control agreements with respect to all Deposit Accounts, Investment Property, Letter-of-Credit Rights, and electronic Chattel Paper, and to use commercially reasonable efforts to cause the relevant depository institutions, financial intermediaries, and letter of credit issuers to execute and deliver such control agreements, as the Secured Creditors may from time to time reasonably require. Each Debtor hereby agrees that a carbon, photographic or other reproduction of this Agreement or any such financing statement is sufficient for filing as a financing statement by the Secured Creditors without notice thereof to such Debtor wherever the Secured Creditors in their sole discretion desire to file the same. Each Debtor hereby authorizes the Secured Creditors to file any and all financing statements covering the Collateral or any part thereof as the Secured Creditors may require, including financing statements describing the Collateral as "all assets" or "all personal property" or words of like meaning. The Secured Creditors may order lien searches from time to time against any Debtor and the Collateral, and the Debtors shall promptly reimburse the Secured Creditors for all reasonable costs and expenses incurred in connection with such lien searches. In the event for any reason the law of any jurisdiction other than Illinois becomes or is applicable to the Collateral or any part thereof, or to any of the Secured Obligations, each Debtor agrees to execute and deliver all such instruments and documents and to do all such other things as the Secured Creditors in their sole discretion deem necessary or appropriate to preserve, protect, and enforce the lien and security interest of the Secured Creditors under the law of such other jurisdiction. Each Debtor agrees to mark its books and records to reflect the lien and security interest of the Secured Creditors in the Collateral.

(p) On failure of any Debtor to perform any of the covenants and agreements herein contained, the Secured Creditors may, at their option, perform the same and in so doing may expend such sums as the Secured Creditors may reasonably deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, liens, and encumbrances, expenditures made in defending against any adverse claims, and all other expenditures which the Secured Creditors may be compelled to make by operation of law or which the Secured Creditors may make by agreement or otherwise for the protection of the security hereof. All such sums and amounts so expended shall be repayable by the relevant Debtor upon demand, shall constitute additional Secured Obligations secured hereunder, and shall bear interest from the date said amounts are expended at the rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days elapsed) determined by adding two percent (2%) to the Base Rate (as defined in the Senior Credit Facility) from time to time in effect plus the Applicable Margin (as defined in the Senior Credit Facility) from time to time in effect for Base Rate Loans (as defined in the Senior Credit Facility) under the Revolving Credit (as defined in the Senior Credit Facility), with any change in such rate per annum as so determined by reason of a change in such Base Rate to be effective on the date of such change in said Base Rate (such rate per annum as so determined being hereinafter referred to as the "*Default Rate*"). No such performance of any covenant or agreement by the Secured Creditors on behalf of any Debtor, and no such advancement or expenditure therefor, shall relieve any Debtor of any default under

the terms of this Agreement or in any way obligate any Secured Creditor to take any further or future action with respect thereto. The Secured Creditors, in making any payment hereby authorized, may do so according to any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien or title or claim. The Secured Creditors, in performing any act hereunder, shall be the sole judge of whether the relevant Debtor is required to perform the same under the terms of this Agreement, provided the Secured Party acts reasonably and in good faith in connection therewith. The Secured Creditors are hereby authorized to charge any depository or other account of any Debtor maintained with any Secured Creditor for the amount of such sums and amounts so expended.

Section 5. Special Provisions Re: Receivables. (a) As of the time any Receivable owned by a Debtor becomes subject to the security interest provided for hereby, and at all times thereafter, such Debtor shall be deemed to have warranted as to each such Receivable that all warranties of such Debtor set forth in this Agreement are true and correct with respect to such Receivable; that each Receivable and all papers and documents relating thereto are genuine and in all respects what they purport to be; that each Receivable is valid and subsisting; that no such Receivable is evidenced by any Instrument or Chattel Paper unless such Instrument or Chattel Paper has theretofore been endorsed by such Debtor and delivered to the Secured Creditors (except that, so long as no Default or Event of Default has occurred and is continuing, the Debtors shall not be required to endorse and deliver any such Instrument or Chattel Paper if and only so long as the aggregate outstanding balance of all such Investments and Chattel Paper not so endorsed and delivered to the Secured Creditors hereunder is less than \$100,000 at any one time outstanding); that no surety bond was required or given in connection with such Receivable or the contracts or purchase orders out of which the same arose; and, in connection with any Receivable then identified as eligible on the most recent Borrowing Base Certificate, the amount of the Receivable represented as owing is the correct amount actually and unconditionally owing, except for normal cash discounts on normal trade terms in the ordinary course of business and that the amount of such Receivable represented as owing is not disputed and is not subject to any set-offs, credits, deductions or countercharges other than those arising in the ordinary course of such Debtor's business which are disclosed to the Secured Creditors in writing promptly upon such Debtor becoming aware thereof.

(b) If any Receivable arises out of a contract with the United States of America or other governmental entity, or any state or political subdivision thereof, or any department, agency or instrumentality of any of the foregoing, each Debtor agrees to promptly so notify the Secured Creditors and, at the request of the Secured Creditors, execute whatever instruments and documents are required by the Secured Creditors in order that such Receivable shall be assigned to the Secured Creditors and that proper notice of such assignment shall be given under the federal Assignment of Claims Act (or any successor statute) or any similar statute.

(c) Except during the existence of an Event of Default, any merchandise or other goods which are returned by a customer or account debtor or otherwise recovered may be resold by a Debtor in the ordinary course of its business as presently conducted in accordance with Section 7(b) hereof; and, during the existence of any Event of Default, such merchandise and

other goods shall be set aside at the request of the Secured Creditors and held by the relevant Debtor as trustee for the Secured Creditors and shall remain part of the Secured Creditors' Collateral. Except during the existence of an Event of Default, the Debtors may settle and adjust disputes and claims with its customers and account debtors, handle returns and recoveries, and grant discounts, credits, and allowances in the ordinary course of its business as presently conducted for amounts and on terms which the relevant Debtor in good faith considers advisable; and, during the existence of any Event of Default, at the Secured Creditors' request, the Debtors shall notify the Secured Creditors promptly of all returns and recoveries and, on the Secured Creditors' request, deliver any such merchandise or other goods to the Secured Creditors. During the existence of any Event of Default, at the Secured Creditors' request, the Debtors shall also notify the Secured Creditors promptly of all disputes and claims and settle or adjust them at no expense to the Secured Creditors, but no discount, credit or allowance other than on normal trade terms in the ordinary course of business as presently conducted shall be granted to any customer or account debtor and no returns of merchandise or other goods shall be accepted by any Debtor without the Secured Creditors' consent. The Secured Creditors may, at all times during the existence of any Event of Default, settle or adjust disputes and claims directly with customers or account debtors for commercially reasonable amounts and upon commercially reasonable terms which the Secured Creditors consider advisable (the Secured Creditors agree to use reasonable efforts to notify the Debtors prior to any such settlement or adjustment, however the Secured Creditors' failure to do so shall not affect the validity of any such action or result in any liability to the Secured Creditors so long as it acted in good faith in connection therewith).

(d) Unless delivered to the Secured Creditors or their agent, all tangible Chattel Paper and Instruments shall contain a legend reasonably acceptable to the Secured Creditors indicating that such Chattel Paper or Instrument is subject to the security interest of the Secured Creditors contemplated by this Agreement.

Section 6. Collection of Receivables. (a) Except as otherwise provided in this Agreement, the Debtors shall make collection of their Receivables and may use the same to carry on their business in accordance with sound business practice and otherwise subject to the terms hereof.

(b) Whether or not any Event of Default has occurred and whether or not the Secured Creditors have exercised any or all of their rights under other provisions of this Section 6, in the event the Secured Creditors request any Debtor to do so:

(i) all Instruments and tangible Chattel Paper at any time constituting part of the Receivables or any other Collateral (including any postdated checks) shall, upon receipt by such Debtor, be immediately endorsed to and deposited with Secured Creditors; and/or

(ii) such Debtor shall instruct all customers and account debtors to remit all payments in respect of Receivables or any other Collateral to a lockbox or lockboxes under the sole custody and control of the Secured Creditors (including lockboxes maintained by a Depository Bank for the benefit of the Secured Creditors) and which are maintained at post office(s) selected by the Secured Creditors.

(c) Upon the occurrence and during the continuation of any Event of Default, whether or not the Secured Creditors have exercised any or all of their rights under other provisions of this Section 6, the Secured Creditors or their designee may notify the relevant Debtor's customers and account debtors at any time that Receivables or any other Collateral have been assigned to the Secured Creditors or of the Secured Creditors' security interest therein, and either in their own name, or such Debtor's name, or both, demand, collect (including, without limitation, through a lockbox analogous to that described in Section 6(b)(ii) hereof), receive, receipt for, sue for, compound and give acquittance for any or all amounts due or to become due on Receivables or any other Collateral, and in the Secured Creditors' discretion file any claim or take any other action or proceeding which the Secured Creditors may deem necessary or appropriate to protect or realize upon the security interest of the Secured Creditors in the Receivables or any other Collateral.

(d) Any proceeds of Receivables or other Collateral transmitted to or otherwise received by the Secured Creditors pursuant to any of the provisions of Sections 6(b) or 6(c) hereof may be handled and administered by the Secured Creditors in and through a remittance account or accounts maintained at the Secured Creditors or by the Secured Creditors at a commercial bank or banks selected by the Secured Creditors (collectively the "*Depositary Banks*" and individually a "*Depositary Bank*"), (any such remittance accounts to constitute a special restricted account for purposes of Section 4 of the Senior Credit Agreement), and the Debtors acknowledge that the maintenance of such remittance accounts by the Secured Creditors are solely for the Secured Creditors' convenience and that the Debtors do not have any right, title or interest in such remittance accounts or any amounts at any time standing to the credit thereof. The Secured Creditors shall apply proceeds of Receivables or other Collateral received by it from any source to the payment of the Secured Obligations (whether or not then due and payable), such applications to be made in accordance with Section 3.1 of the Senior Credit Agreement. Except for purposes of computing interest on the Obligations in accordance with Section 3.4 of the Senior Credit Agreement, the Secured Creditors need not apply or give credit for any item included in proceeds of Receivables or other Collateral until the Depositary Bank has received final payment therefor at its office in cash or final solvent credits current at the site of deposit acceptable to the Secured Creditors and the Depositary Bank as such. However, if the Secured Creditors do permit credit to be given for any item prior to a Depositary Bank receiving final payment therefor and such Depositary Bank fails to receive such final payment or an item is charged back to the Secured Creditors or any Depositary Bank for any reason, the Secured Creditors may at their election in either instance charge the amount of such item back against any such remittance accounts or any Deposit Account of any Debtor subject to the lien and security interest of this Agreement, together with interest thereon at the Default Rate. Concurrently with each transmission of any proceeds of Receivables or other Collateral to any such remittance account, upon the Secured Creditors' request, the relevant Debtor shall furnish the Secured Creditors with a report in such form as Secured Creditors shall require identifying the particular Receivable or such other Collateral from which the same arises or relates. Each Debtor hereby indemnifies the Secured Creditors from and against all liabilities, damages, losses, actions, claims, judgments, costs, expenses, charges, and reasonable attorneys' fees suffered or incurred by any Secured Creditor because of the maintenance of the foregoing arrangements; *provided, however*, that no Debtor shall be required to indemnify any Secured Creditor for any of the foregoing to the extent they arise solely from the gross negligence or willful misconduct of the

person seeking to be indemnified. The Secured Creditors shall have no liability or responsibility to any Debtor for the Secured Creditors or any Depository Bank accepting any check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or endorsement whatsoever or be responsible for determining the correctness of any remittance.

Section 7. Special Provisions Re: Inventory and Equipment. (a) Each Debtor shall at its own cost and expense maintain, keep, and preserve its Inventory in good and merchantable condition and keep and preserve its Equipment in good repair, working order, and condition, ordinary wear and tear excepted, and, without limiting the foregoing, make all necessary and proper repairs, replacements, and additions to its Equipment so that the efficiency thereof shall be fully preserved and maintained.

(b) Each Debtor may, until an Event of Default has occurred and is continuing and thereafter until otherwise notified by the Secured Creditors, use, consume, sell, and lease the Inventory in the ordinary course of its business, but a sale in the ordinary course of business shall not under any circumstance include any transfer or sale in satisfaction, partial or complete, of a debt owing by such Debtor.

(c) Each Debtor may, until an Event of Default has occurred and is continuing and thereafter until otherwise notified by the Secured Creditors, sell Equipment to the extent permitted by Section 8.10 of the Senior Credit Agreement.

(d) As of the time any Inventory or Equipment of a Debtor becomes subject to the security interest provided for hereby and at all times thereafter, such Debtor shall be deemed to have warranted as to any and all of such Inventory and Equipment that all warranties of such Debtor set forth in this Agreement are true and correct with respect to such Inventory and Equipment; that all of such Inventory and Equipment is located at a location set forth pursuant to Section 4(b) hereof; and, in the case of any Inventory then identified as eligible on the most recent Borrowing Base Certificate, such Inventory is new and unused and in good and merchantable condition. Each Debtor warrants and agrees that none of its Inventory is or will be consigned to any other person without the Secured Creditors' prior written consent.

(e) Upon the Secured Creditors' request, each Debtor shall at its own cost and expense cause the lien of the Secured Creditors in and to any portion of the Collateral subject to a certificate of title law to be duly noted on such certificate of title or to be otherwise filed in such manner as is prescribed by law in order to perfect such lien and shall cause all such certificates of title and evidences of lien to be deposited with the Secured Creditors.

(f) Except for Equipment from time to time located on the real estate described on Schedule D attached hereto or as otherwise hereafter disclosed to the Secured Creditors in writing, none of the Equipment is or will be attached to real estate in such a manner that the same may become a fixture.

(g) If any of the Inventory is at any time evidenced by a document of title, such document shall be promptly delivered by the relevant Debtor to the Secured Creditors except to

the extent the Secured Party specifically requests such Debtor not to do so with respect to any such document.

Section 8. Special Provisions Re: Investment Property, Subsidiary Interests, and Deposits. (a) Unless and until an Event of Default has occurred and is continuing and thereafter until notified to the contrary by the Secured Creditors pursuant to Section 10(d) hereof:

(i) each Debtor shall be entitled to exercise all voting and/or consensual powers pertaining to its Investment Property and Subsidiary Interests, or any part thereof, for all purposes not inconsistent with the terms of this Agreement, the Securities Purchase Agreement or any other document evidencing or otherwise relating to any Secured Obligations; and

(ii) each Debtor shall be entitled to receive and retain all cash dividends paid upon or in respect of its Investment Property and Subsidiary Interests subject to the lien and security interest of this Agreement.

(b) All Investment Property (including all securities, certificated or uncertificated, securities accounts, and commodity accounts) and Subsidiary Interests of the Debtors on the date hereof is listed and identified on Schedule E attached hereto and made a part hereof. Each Debtor shall promptly notify the Secured Creditors of any other Investment Property or Subsidiary Interests acquired or maintained by such Debtor after the date hereof, and shall submit to the Secured Creditors a supplement to Schedule E to reflect such additional rights (provided any Debtor's failure to do so shall not impair the Secured Creditors' security interest therein). Certificates for all certificated securities now or at any time constituting Investment Property or Subsidiary Interests shall be promptly delivered by the relevant Debtor to the Secured Creditors duly endorsed in blank for transfer or accompanied by an appropriate assignment or assignments or an appropriate undated stock power or powers, in every case sufficient to transfer title thereto, including, without limitation, all stock received in respect of a stock dividend or resulting from a split-up, revision or reclassification of the Investment Property or Subsidiary Interests or any part thereof or received in addition to, in substitution of or in exchange for the Investment Property or Subsidiary Interests or any part thereof as a result of a merger, consolidation or otherwise. With respect to any uncertificated securities or other Collateral held by a securities intermediary, commodity intermediary, or other financial intermediary of any kind, unless the Secured Creditors request otherwise, the relevant Debtor shall execute and deliver, and shall cause any such issuer or intermediary to execute and deliver, an agreement among such Debtor, the Secured Creditors, and such issuer or intermediary in form and substance satisfactory to the Secured Creditors which provides, among other things, for the issuer's or intermediary's agreement that it will comply with such entitlement orders, and apply any value distributed on account of any Investment Property, as directed by the Secured Creditors without further consent by such Debtor. The Secured Creditors may, at any time after the occurrence and during the continuation of any Event of Default cause to be transferred into its name or the name of its nominee or nominees all or any part of the Investment Property and Subsidiary Interests hereunder.

(c) Unless and until a Default or an Event of Default, has occurred and is continuing, each Debtor may sell or otherwise dispose of any of its Investment Property (other than

Subsidiary Interests) to the extent permitted by the Securities Purchase Agreement. Except to the extent permitted by the Securities Purchase Agreement, no Debtor shall sell or otherwise dispose of any Subsidiary Interests without the prior written consent of the Secured Creditors. After the occurrence and during the continuation of any Default or Event of Default, no Debtor shall sell all or any part of its Investment Property or Subsidiary Interests without the prior written consent of the Secured Creditors.

(d) Each Debtor represents that on the date of this Agreement, none of its Investment Property or Subsidiary Interests consists of margin stock (as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System) except to the extent such Debtor has delivered to the Secured Creditors a duly executed and completed Form U-1 with respect to such stock. If at any time the Investment Property or Subsidiary Interests or any part thereof consists of margin stock, the relevant Debtor shall promptly so notify the Secured Creditors and deliver to the Secured Creditors a duly executed and completed Form U-1 and such other instruments and documents reasonably requested by the Secured Creditors in form and substance satisfactory to the Secured Creditors.

(e) Each Debtor represents and warrants to, and agrees with, the Secured Creditors as follows: (i) as of the date hereof, each Subsidiary is a valid and existing entity of the type listed on Schedule E and is duly organized and existing under applicable law; (ii) as of the date hereof, the Subsidiary Interests listed and described on Schedule E hereto constitute the percentage of the equity interest in each Subsidiary set forth thereon owned by the relevant Debtor; (iii) as of the date hereof, copies of the certificate or articles of incorporation and by-laws, certificate or articles of association and operating agreement, and partnership agreement of each Subsidiary (each such agreement being hereinafter referred to as an "*Organizational Agreement*") heretofore delivered to the Secured Creditors are true and correct copies thereof and have not been amended or modified in any respect, and (iv) without the prior written consent of the Secured Creditors, no Debtor will agree to any amendment or modification to any Organizational Agreement which would in any manner adversely affect or impair the Subsidiary Interests or reduce or dilute the rights of such Debtor with respect to any Subsidiary Interests, any of such actions done without such prior written consent to be null and void. Each Debtor shall perform when due all of its material obligations under each Organizational Agreement.

(f) All Deposit Accounts of the Debtors on the date hereof are listed and identified (by account number and depository institution) on Schedule E attached hereto and made a part hereof. Each Debtor shall promptly notify the Secured Creditors of any other Deposit Account opened or maintained by such Debtor after the date hereof, and shall submit to the Secured Creditors a supplement to Schedule E to reflect such additional accounts (provided any Debtor's failure to do so shall not impair the Secured Creditors' security interest therein). With respect to any Deposit Account maintained by a depository institution other than the Secured Creditors, and as a condition to the establishment and maintenance of any such Deposit Account except as otherwise permitted by Section 4 of the Securities Purchase Agreement, such Debtor, the depository institution, and the Secured Creditors shall execute and deliver an account control agreement in form and substance reasonably satisfactory to the Secured Creditors which provides, among other things, for the depository institution's agreement that it will comply with

instructions originated by the Secured Creditors directing the disposition of the funds in the Deposit Account without further consent by such Debtor.

Section 9. Power of Attorney. In addition to any other powers of attorney contained herein, each Debtor hereby appoints the Secured Creditors, their nominee, or any other person whom the Secured Creditors may designate as such Debtor's attorney-in-fact, with full power and authority after the occurrence and during the continuation of any Event of Default to sign such Debtor's name on verifications of Receivables and other Collateral; to send requests for verification of Collateral to such Debtor's customers, account debtors, and other obligors; to endorse such Debtor's name on any checks, notes, acceptances, money orders, drafts, and any other forms of payment or security that may come into the Secured Creditors' possession or on any assignments, stock powers, or other instruments of transfer relating to the Collateral or any part thereof; to sign such Debtor's name on any invoice or bill of lading relating to any Collateral, on claims to enforce collection of any Collateral, on notices to and drafts against customers and account debtors and other obligors, on schedules and assignments of Collateral, on notices of assignment and on public records; to notify the post office authorities to change the address for delivery of such Debtor's mail to an address designated by the Secured Creditors; to receive, open, and dispose of all mail addressed to such Debtor; and to do all things necessary to carry out this Agreement. Each Debtor hereby ratifies and approves all acts of any such attorney and agrees that neither the Secured Creditors nor any such attorney will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law other than such person's gross negligence or willful misconduct. The Secured Creditors may file one or more financing statements disclosing their security interest in all or any part of the Collateral without any Debtor's signature appearing thereon. Each Debtor also hereby grants the Secured Creditors a power of attorney to execute any such financing statements, and amendments and supplements thereto, on behalf of such Debtor without notice thereof to any Debtor. The foregoing powers of attorney, being coupled with an interest, are irrevocable until the Secured Obligations have been fully paid and satisfied and the commitments of the Lenders to extend credit to or for the account of the Borrower under the Senior Credit Agreement have expired or otherwise terminated.

Section 10. Defaults and Remedies. (a) The occurrence of any event or the existence of any condition which is specified as an "Event of Default" under the Securities Purchase Agreement shall constitute an "Event of Default" hereunder.

(b) Upon the occurrence and during the continuation of any Event of Default, the Secured Creditors shall have, in addition to all other rights provided herein or by law, the rights and remedies of a secured party under the UCC (regardless of whether the UCC is the law of the jurisdiction where the rights or remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further the Secured Creditors may, without demand and without advertisement, notice, hearing or process of law, all of which each Debtor hereby waives, at any time or times, sell and deliver any or all Collateral (and any other property of the Debtors attached thereto or found therein) held by or for it at public or private sale, at any securities exchange or broker's board or at the Secured Creditors' office or elsewhere, for cash, upon credit or otherwise, at such prices and upon such terms as the Secured Creditors deem advisable, in their sole discretion. In the exercise of any such remedies, the Secured Creditors may sell the Collateral as a unit even though the sales price thereof may be in excess of the amount remaining

unpaid on the Secured Obligations. Also, if less than all the Collateral is sold, the Secured Creditors shall have no duty to marshal or apportion the part of the Collateral so sold as between the Debtors, or any of them, but may sell and deliver any or all of the Collateral without regard to which of the Debtors are the owners thereof. In addition to all other sums due any Secured Creditor hereunder, each Debtor shall pay the Secured Creditors all costs and expenses incurred by the Secured Creditors, including attorneys' fees and court costs, in obtaining, liquidating or enforcing payment of Collateral or the Secured Obligations or in the prosecution or defense of any action or proceeding by or against any Secured Creditor or any Debtor concerning any matter arising out of or connected with this Agreement or the Collateral or the Secured Obligations, including, without limitation, any of the foregoing arising in, arising under or related to a case under the United States Bankruptcy Code (or any successor statute). Any requirement of reasonable notice shall be met if such notice is personally served on or mailed, postage prepaid, to the Debtors in accordance with Section 14(b) hereof at least 10 days before the time of sale or other event giving rise to the requirement of such notice; *provided, however*, no notification need be given to a Debtor if such Debtor has signed, after an Event of Default hereunder has occurred, a statement renouncing any right to notification of sale or other intended disposition. The Secured Creditors shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. Any Secured Creditor may be the purchaser at any such sale. Each Debtor hereby waives all of its rights of redemption from any such sale. The Secured Creditors may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, be made at the time and place to which the sale was postponed or the Secured Creditors may further postpone such sale by announcement made at such time and place. The Secured Creditors have no obligation to prepare the Collateral for sale. The Secured Creditors may sell or otherwise dispose of the Collateral without giving any warranties as to the Collateral or any part thereof, including disclaimers of any warranties of title or the like, and each Debtor acknowledges and agrees that the absence of such warranties shall not render the disposition commercially unreasonable.

(c) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default hereunder, in addition to all other rights provided herein or by law, (i) the Secured Creditors shall have the right to take physical possession of any and all of the Collateral and anything found therein, the right for that purpose to enter without legal process any premises where the Collateral may be found (provided such entry be done lawfully), and the right to maintain such possession on the relevant Debtor's premises (each Debtor hereby agreeing to lease such premises without cost or expense to the Secured Creditors or their designee if the Secured Creditors so requests) or to remove the Collateral or any part thereof to such other places as the Secured Creditors may desire, (ii) the Secured Creditors shall have the right to direct any intermediary at any time holding any Investment Property or other Collateral, or any issuer thereof, to deliver such Collateral or any part thereof to the Secured Creditors and/or to liquidate such Collateral or any part thereof and deliver the proceeds thereof to the Secured Creditors and the right to deliver a notice of control with respect to any Collateral held in a securities account or commodities account and deliver all entitlement orders with respect thereto, (iii) the Secured Creditors shall have the right to exercise any and all rights with respect to all Deposit Accounts of each Debtor, including, without limitation, the right to direct the disposition of the funds in each Deposit Account and to collect, withdraw, and receive all amounts due or to become due or

payable thereunder, and (iv) each Debtor shall, upon the Secured Creditors' demand, promptly assemble the Collateral and make it available to the Secured Creditors at a place designated by the Secured Creditors. If the Secured Creditors exercise their right to take possession of the Collateral, each Debtor shall also at its expense perform any and all other steps requested by the Secured Creditors to preserve and protect the security interest hereby granted in the Collateral, such as placing and maintaining signs indicating the security interest of the Secured Creditors, appointing overseers for the Collateral and maintaining Collateral records.

(d) Without in any way limiting the foregoing, upon the occurrence and during the continuation of any Event of Default, all rights of the Debtors to exercise the voting and/or consensual powers which they are entitled to exercise pursuant to Section 8(a)(i) hereof and/or to receive and retain the distributions which they are entitled to receive and retain pursuant to Section 8(a)(ii) hereof, shall, at the option of the Secured Creditors, cease and thereupon become vested in the Secured Creditors, which, in addition to all other rights provided herein or by law, shall then be entitled solely and exclusively to exercise all voting and other consensual powers pertaining to the Investment Property and/or to receive and retain the distributions which such Debtor would otherwise have been authorized to retain pursuant to Section 8(a)(ii) hereof and shall then be entitled solely and exclusively to exercise any and all rights of conversion, exchange or subscription or any other rights, privileges or options pertaining to any Investment Property as if the Secured Creditors were the absolute owner thereof. Without limiting the foregoing, the Secured Party shall have the right to exchange, at its discretion, any and all of the Investment Property upon the merger, consolidation, reorganization, recapitalization or other readjustment of the respective issuer thereof or upon the exercise by or on behalf of any such issuer or the Secured Creditors of any right, privilege or option pertaining to any Investment Property and, in connection therewith, to deposit and deliver any and all of the Investment Property with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as the Secured Creditors may determine. In the event the Secured Creditors in good faith believe any of the Collateral constitutes restricted securities within the meaning of any applicable securities laws, any disposition thereof in compliance with such laws shall not render the disposition commercially unreasonable.

(e) Without in any way limiting the foregoing, each Debtor hereby grants to the Secured Creditors a royalty-free irrevocable license and right to use all of such Debtor's patents, patent applications, patent licenses, trademarks, trademark registrations, trademark licenses, trade names, trade styles, copyrights, copyright applications, copyright licenses, and similar intangibles in connection with any foreclosure or other realization by the Secured Creditors on all or any part of the Collateral. The license and right granted the Secured Creditors hereby shall be without any royalty or fee or charge whatsoever.

(f) The powers conferred upon the Secured Creditors hereunder are solely to protect their interest in the Collateral and shall not impose on them any duty to exercise such powers. The Secured Creditors shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in their possession or control if such Collateral is accorded treatment substantially equivalent to that which the Secured Creditors accord their own property, consisting of similar type assets, it being understood, however, that the Secured Creditors shall have no responsibility for (i) ascertaining or taking any action with respect to calls, conversions,

exchanges, maturities, tenders or other matters relating to any Collateral, whether or not the Secured Creditors have or are deemed to have knowledge of such matters, (ii) taking any necessary steps to preserve rights against any parties with respect to any Collateral, or (iii) initiating any action to protect the Collateral or any part thereof against the possibility of a decline in market value. This Agreement constitutes an assignment of rights only and not an assignment of any duties or obligations of the Debtors in any way related to the Collateral, and the Secured Creditors shall have no duty or obligation to discharge any such duty or obligation. Neither any Secured Creditor nor any party acting as attorney for any Secured Creditor shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law other than such person's gross negligence or willful misconduct.

(g) Failure by the Secured Creditors to exercise any right, remedy or option under this Agreement or any other agreement between any Debtor and the Secured Creditors or provided by law, or delay by the Secured Creditors in exercising the same, shall not operate as a waiver; and no waiver shall be effective unless it is in writing, signed by the party against whom such waiver is sought to be enforced and then only to the extent specifically stated. The rights and remedies of the Secured Creditors under this Agreement shall be cumulative and not exclusive of any other right or remedy which any Secured Creditor may have. For purposes of this Agreement, an Event of Default shall be construed as continuing after its occurrence until the same is waived in writing by the Secured Creditors.

Section 11. Application of Proceeds. The proceeds and avails of the Collateral at any time received by the Secured Creditors upon the occurrence and during the continuation of any Event of Default shall, when received by the Secured Creditors in cash or its equivalent, be applied by the Secured Creditors in reduction of, or held as collateral security for, the Secured Obligations in accordance with the terms of the Securities Purchase Agreement. The Debtors shall remain liable to the Secured Creditors for any deficiency. Any surplus remaining after the full payment and satisfaction of the Secured Obligations shall be returned to the Borrower, as agent for the Debtors, or to whomsoever the Secured Creditors reasonably determines is lawfully entitled thereto.

Section 12. Continuing Agreement. This Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Secured Obligations, both for principal and interest, have been fully paid and satisfied and the commitments of the Lenders to extend credit to or for the account of the Borrower under the Senior Credit Agreement have expired or otherwise terminated. Upon such termination of this Agreement, the Secured Creditors shall, upon the request and at the expense of the Debtors, forthwith release their liens and security interests hereunder.

Section 13. Miscellaneous. (a) This Agreement cannot be changed or terminated orally. This Agreement shall create a continuing lien on and security interest in the Collateral and shall be binding upon each Debtor, its successors and assigns and shall inure, together with the rights and remedies of the Secured Creditors hereunder, and their successors and permitted assigns; *provided, however*, that no Debtor may assign its rights or delegate its duties hereunder without the Secured Creditors' prior written consent. Without limiting the generality of the foregoing, and subject to the provisions of the Securities Purchase Agreement, any Lender may assign or

otherwise transfer any indebtedness held by it secured by this Agreement to any other person, and such other person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise.

(b) Except as otherwise specified herein, all notices hereunder shall be in writing (including, without limitation, notice by telecopy) and shall be given to the relevant party at its address or telecopier number set forth below (or, if no such address is set forth below, at the address of the relevant Debtor as shown on the records of the Secured Creditors), or such other address or telecopier number as such party may hereafter specify by notice to the other given by courier, by United States certified or registered mail, by telecopy or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices hereunder shall be addressed:

to the Debtors at:

1400 Raff Road, S.W.
Canton, Ohio 44750
Attention: Robert R. Schnabel, Jr.
Telephone: (330) 478-0755
Facsimile: (330) 478-3281

to the Secured Creditors at:

Dana L. Schmaltz and Jeffrey J. Teschke
c/o J.W. Childs Associates, L.P.
111 Huntington Avenue
Boston, MA 02199
Fax: (617) 753-1101

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section and a confirmation of such telecopy has been received by the sender, (ii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iii) if given by any other means, when delivered at the addresses specified in this Section.

(c) In the event and to the extent that any provision hereof shall be deemed to be invalid or unenforceable by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Agreement shall to such extent be construed as not containing such provision, but only as to such jurisdictions where such law or interpretation is operative, and the invalidity or unenforceability of such provision shall not affect the validity of any remaining provisions hereof, and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect. Without limiting the generality of the foregoing, in the event that this Agreement shall be deemed to be invalid or otherwise unenforceable with respect to any Debtor, such invalidity or unenforceability shall not affect the validity of this Agreement with respect to the other Debtors.

(d) The lien and security interest herein created and provided for stand as direct and primary security for the Secured Obligations of the Borrower arising under or otherwise relating to the Securities Purchase Agreement as well as for the other Secured Obligations secured hereby. No application of any sums received by the Secured Creditors in respect of the Collateral or any disposition thereof to the reduction of the Secured Obligations or any part thereof shall in any manner entitle any Debtor to any right, title or interest in or to the Secured Obligations or any

collateral or security therefor, whether by subrogation or otherwise, unless and until all Secured Obligations have been fully paid and satisfied and all commitments to extend credit to or fro the account of the Borrower under the Senior Credit Agreement have expired or otherwise terminated. Each Debtor acknowledges and agrees that the lien and security interest hereby created and provided are absolute and unconditional and shall not in any manner be affected or impaired by any acts of omissions whatsoever of any Secured Creditor or any other holder of any Secured Obligations, and without limiting the generality of the foregoing, the lien and security interest hereof shall not be impaired by any acceptance by any Secured Creditor or any other holder of any Secured Obligations of any other security for or guarantors upon any of the Secured Obligations or by any failure, neglect or omission on the part of any Secured Creditor or any other holder of any of the Secured Obligations to realize upon or protect any of the Secured Obligations or any collateral or security therefor. The lien and security interest hereof shall not in any manner be impaired or affected by (and the Secured Creditors, without notice to anyone, are hereby authorized to make from time to time) any sale, pledge, surrender, compromise, settlement, release, renewal, extension, indulgence, alteration, substitution, exchange, change in, modification or disposition of any of the Secured Obligations or of any collateral or security therefor, or of any guaranty thereof, or of any instrument or agreement setting forth the terms and conditions pertaining to any of the foregoing. The Secured Creditors may at their discretion at any time grant credit to the Borrower without notice to the other Debtors in such amounts and on such terms as the Secured Creditors may elect without in any manner impairing the lien and security interest created and provided for herein. In order to realize hereon and to exercise the rights granted the Secured Creditors hereunder and under applicable law, there shall be no obligation on the part of any Secured Creditor or any other holder of any Secured Obligations at any time to first resort for payment to the Borrower or any other Debtor or to any guaranty of the Secured Obligations or any portion thereof or to resort to any other collateral, security, property, liens or any other rights or remedies whatsoever, and the Secured Creditors shall have the right to enforce this Agreement against any Debtor or its Collateral irrespective of whether or not other proceedings or steps seeking resort to or realization upon or from any of the foregoing are pending.

(e) In the event the Secured Creditors shall at any time in their discretion permit a substitution of Debtors hereunder or a party shall wish to become a Debtor hereunder, such substituted or additional Debtor shall, upon executing an agreement in the form attached hereto as Schedule H, become a party hereto and be bound by all the terms and conditions hereof to the same extent as though such Debtor had originally executed this Agreement and, in the case of a substitution, in lieu of the Debtor being replaced. Any such agreement shall contain information as to such Debtor necessary to update Schedule A, B, C, D, E, and F hereto with respect to it. No such substitution shall be effective absent the written consent of the Secured Creditors nor shall it in any manner affect the obligations of the other Debtors hereunder.

(f) This Agreement shall be deemed to have been made in the State of Illinois and shall be governed by, and construed in accordance with, the laws of the State of Illinois. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

(g) Fitness Quest Inc. and Fitness Quest Direct, Inc. (collectively, the "Existing Debtors") each is currently a party to that certain Amended and Restated Security Agreement dated as of July 31, 2003, by and among the Existing Debtors and Harris Trust and Savings Bank, and that certain Amended and Restated Assignment of Agreements dated as of July 31, 2003, by and among the Existing Debtors and HTSB (collectively, the "Existing Security Agreements"). Upon the effectiveness of the Merger (as defined in the Senior Credit Agreement), indebtedness, obligations, and liabilities of the Existing Debtors secured by the Existing Security Agreements shall remain outstanding subject to the Senior Credit Agreement secured by, among other things, the collateral described in the Existing Security Agreements and, for the sake of convenience and clarity, the Existing Security Agreements shall be deemed to have been amended and restated in their entirety to read as set forth in this Agreement, and the liens and security interests provided for herein shall be deemed a continuation of the liens and security interest created and provided for under the Existing Security Agreements. Each of the instruments and documents executed and delivered pursuant to the terms of the Existing Security Agreements, including all currently filed trademark, patent, and copyright collateral agreements, as well as all acknowledgement and consents to assignments, shall continue in full force and effect securing the Secured Obligations described herein, and all references therein to any Existing Security Agreement shall be deemed a reference to this Agreement. The Existing Debtors each acknowledge and agree that, notwithstanding the execution and delivery of this Agreement, the liens and security interests created and provided for under the Existing Security Agreements, and all instruments and documents delivered pursuant thereto, shall continue in effect under and pursuant to the terms of this Agreement for the benefit of all of the Secured Obligations. Nothing herein contained shall in any manner affect or impair the priority of the liens and security interests created and provided for by the Existing Security Agreements as to the indebtedness and obligations which would otherwise be secured thereby prior to giving effect to this Agreement.

(h) This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterpart signature pages, each constituting an original, but all together one and the same instrument. Each Debtor acknowledges that this Agreement is and shall be effective upon its execution and delivery by such Debtor to the Secured Creditors, and it shall not be necessary for the Secured Creditors to execute this Agreement or any other acceptance hereof or otherwise to signify or express their acceptance hereof.


(i) Each Debtor hereby submits to the non-exclusive jurisdiction of the United States District Court for the Northern District of Illinois and of any Illinois state court sitting in the City of Chicago, Illinois, for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. Each Debtor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient form. EACH DEBTOR AND, BY ACCEPTING THE BENEFITS OF THIS AGREEMENT, EACH SECURED CREDITOR HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, each Debtor has caused this Security Agreement to be duly executed and delivered as of the date and year first above written.

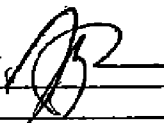
"DEBTORS"

FITNESS ACQUISITION, INC., to become known as
Fitness Quest, Inc.


By 
Name _____
Title _____

Each of the undersigned shall be deemed to have executed and delivered this Agreement as Debtors upon the effectiveness of the Merger (as defined in the Senior Credit Agreement).

FITNESS QUEST INC.

By 
Name _____
Title _____

FITNESS QUEST DIRECT, INC.

By 
Name _____
Title _____

Accepted and agreed, as of the date and year first above written.


PURCHASERS:

J.W. CHILDS EQUITY PARTNERS III, L.P.

By: J.W. Childs Advisors III, L.P.,
its General Partner

By: J.W. Childs Associates, L.P.,
its General Partner

By: J.W. Childs Associates, Inc.,
its General Partner

By: 
Name: Jeffrey J. Teschke
Title: Vice President

JWC FUND III CO-INVEST, L.L.C.

By: J.W. Childs Associates, L.P.,
its Manager

By: J.W. Childs Associates, Inc.,
its General Partner

By: 
Name: Jeffrey J. Teschke
Title: Vice President

U.S. PATENTS

Product	Serial No.	Reg. No.	Title of Patent	Date Filed	Date Issued
Ab Machine	767,510	5,749,814	Structure of Matching Weights for a Health Exercise Machine	12/16/96	5/12/1998
Ab Mouse	664,222	5,725,463	Abdominal Exercise Device	6/11/96	3/10/98
Ab Mouse	50,748	D381,378	Abdominal Exercise Device	2/26/96	7/22/97
Ab Mouse	29/136,178	D456,084	Abdominal Exercise Device	1/24/01	4/23/02
Ab Mouse	09/749,711	6,582,347	Abdominal Exercise Device and Method of Use	12/27/00	6/24/03
Elliptical	29/135,843	D452,285	Shroud for Elliptical Exerciser (short version)	1/19/01	12/18/01
Elliptical	29/135,920	D451,972	Shroud for Elliptical Exerciser (long version)	1/19/01	12/11/01
Inversion Chair	29/119,174	D432,600	Inversion Chair Exercise Device	2/24/00	10/24/00
Jane Fonda Bench Step	7820361	5,154,678	Combined Exercise Platform	1/14/92	10/13/92
Jane Fonda Bench Step	820/392	D342,298	Exercise Platform	1/14/92	12/14/93
New Balance Bike Pedal (Design Patents)	29/188,307		Reversible Pedal for an Exercise Apparatus	8/15/03	
New Balance Bike Pedal (Utility Patent)	10/750,433		Reversible Pedal for an Exercise Apparatus and Method Thereof	12/30/03	
New Balance Bike Seat	60/524,139		Back support for an Exercise Device	11/21/03	
Shape Stix	779,985	5,759,139	Lunge Poles	12/23/96	6/21/98
Sky Trec Treadmill	29/153,095	D464,690	Treadmill	1/4/02	10/22/02
SkyTrec Treadmill	29/153,096	D465,250	Handlebar and Grip for Exercise Device	1/4/02	11/5/02
Slam Man*	09/016,095	6,110,079	Kick-boxing Exercise Device	1/30/98	8/29/00
Strike Zone	09/981,542	6,464,622	Exercise Device and Method of Use	10/17/01	10/15/02
Total Gym (motorized)	10/758,447		Variably Configured Exercise Device	1/15/04	
Total Gym (motorized)	10/758,448		Variably Configured Exercise Device	1/15/04	
Treadmill	09/320,109	6,261,209	Folding Exercise Treadmill with Front Inclination	5/26/99	7/17/01
Weight Belt	50,428	D375,823	Adjustable Weight Belt		11/26/96
Weight Strap	51,843	D381,053	Adjustable Weight Strap		7/15/97

* Pursuant to agreement with Leisure, Inc., this patent will be assigned to Leisure, Inc. upon expiration of contract.