



11-07-2001



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RECORDATION FORM COVER SHEET TRADEMARKS ONLY

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

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

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

1. Name of conveying party(ies):

AMERIC DISC INC.

11-201

- Individual(s), Association, General Partnership, Limited Partnership, Corporation-State, Other

Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)

Name: National Bank of Canada

Internal New York Branch

Address:

Street Address: 125 West 55th Street

City: New York State: NY Zip: 10019

- Individual(s) citizenship, Association, General Partnership, Limited Partnership, Corporation-State, Other Bank

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:

- Assignment, Merger, Security Agreement, Change of Name, Other

Execution Date:

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

1916081

1916082

Additional number(s) attached Yes No

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

Name: Nicole Johnson, Esq.

Internal Address:

Street Address: 61 Broadway - 18th Floor

City: New York State: NY Zip: 10006

6. Total number of applications and registrations involved:

2

7. Total fee (37 CFR 3.41): \$80.00

- Enclosed, Authorized to be charged to deposit account

8. Deposit account number:

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Nicole Johnson, Esq.

Name of Person Signing

Nicole Johnson

Signature

10/26/01

Date

Total number of pages including cover sheet, attachments, and document: 55

Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231

Refund Ref: 11/06/2001 TD 101

CHECK Refund total: \$15.00

## SECURITY AND PLEDGE AGREEMENT

SECURITY AND PLEDGE AGREEMENT (this “**Agreement**”), dated as of August 30, 2001, among:

- (i) AMERIC DISC INC., a corporation constituted pursuant to the *Canada Business Corporations Act* (“**Canadian Borrower**”);
- (ii) AMERIC DISC U.S.A. – CALIFORNIA INC., a corporation organized under the laws of the State of California (“**Americ Disc - California**”);
- (iii) AMERIC DISC U.S.A. – FLORIDA INC., a corporation organized under the laws of the State of Florida (“**Americ Disc – Florida**”);
- (iv) AMERIC DISC U.S.A. – DELAWARE INC., a corporation organized under the laws of the State of Delaware (“**Americ Disc - Delaware**”);
- (v) AMERIC DISC U.S.A. – MINNESOTA INC., a corporation organized under the laws of the State of Minnesota (“**Americ Disc - Minnesota**”);
- (vi) AMERIC DISC U.S.A. ENTERPRISES INC., a corporation organized under the laws of the State of Delaware (“**Americ Disc Enterprises**”);
- (vii) each other direct or indirect Subsidiary of the Canadian Borrower that may become a Debtor hereunder from time to time pursuant to Section 29 (each, a “**New Debtor**”); and
- (viii) NATIONAL BANK OF CANADA, NEW YORK BRANCH, as U.S. Collateral Agent (in such capacity, together with any successor thereto in such capacity, the “**U.S. Collateral Agent**” for National Bank of Canada, New York Branch, as Lender under the U.S. Credit Agreement referred to below (in such capacity, the “**U.S. Lender**”), the lenders party from time to time to the Canadian Credit Agreement referred to below (each, a “**Canadian Lender**” and collectively the “**Canadian Lenders**”) and National Bank of Canada, as Agent under the Canadian Credit Agreement (in such capacity, the “**Canadian Agent**”).

Americ Disc – California, Americ Disc – Delaware, Americ Disc – Florida and Americ Disc – Minnesota will be referred to herein collectively as the “**U.S. Borrowers**” and individually as a “**U.S. Borrower**”. The Canadian Borrower, the U.S. Borrowers, Americ Disc Enterprises and the New Debtors, if any, will be referred to herein collectively as the “**Debtors**” and individually as a “**Debtor**”. The U.S. Collateral Agent, the U.S. Lender, the Canadian Lenders and the Canadian Agent will be referred to herein collectively as the “**Creditors**” and individually as a “**Creditor**”.

## RECITALS:

- A. The Canadian Borrower, the Canadian Lenders and the Canadian Agent are party to a Credit Agreement dated as of November 21, 1996 (said Credit Agreement, as it may have been or may from time to time hereafter be amended, restated, supplemented or otherwise modified, herein called the "**Canadian Credit Agreement**"), pursuant to which the Canadian Lenders have agreed to make available to the Canadian Borrower credit facilities in the respective amounts of CDN\$50,000,000 and US\$30,000,000 (the "**Canadian Credit Facilities**"), and the Canadian Agent has agreed to act as agent for the Canadian Lenders, all subject to the terms and conditions set forth therein.
- B. The U.S. Borrowers have heretofore executed and delivered a Guarantee dated as of November 21, 1996 (as it may have been or may from time to time hereafter be amended, restated, supplemented or otherwise modified, herein called the "**U.S. Guarantee**") in favor of the Canadian Agent for the benefit of the Canadian Agent and the Canadian Lenders, pursuant to which the U.S. Borrowers have irrevocably and unconditionally guaranteed the payment and performance in full when due of all obligations of the Canadian Borrower to the Canadian Agent and the Canadian Lenders including, without limitation, its obligations under or pursuant to the Canadian Credit Agreement and all related instruments, documents and agreements.
- C. Concurrently herewith, Americ Disc Enterprises is executing and delivering Supplement No. 1 dated as of the date hereof to the U.S. Guarantee (the "**Supplement**"), pursuant to which it is agreeing to become a party to the U.S. Guarantee with the same force and effect as if originally named therein as a Guarantor.
- D. The U.S. Borrowers and the U.S. Lender are party to a Credit Agreement dated as of October 2, 1997 (said Credit Agreement, as it may from time to time hereafter be amended, restated, supplemented or otherwise modified, herein called the "**U.S. Credit Agreement**"), pursuant to which the U.S. Lender has agreed to make a credit facility (the "**U.S. Credit Facility**") available to the U.S. Borrowers, subject to the terms and conditions set forth therein.
- E. The Canadian Borrower has heretofore executed and delivered a Suretyship Agreement dated as of October 2, 1997 (as it may from time to time hereafter be amended, restated, supplemented or otherwise modified, herein called the "**Parent Guarantee**") in favor of the U.S. Lender, pursuant to which the Canadian Borrower has irrevocably and unconditionally guaranteed the payment and performance in full when due of all obligations of the U.S. Borrowers to the U.S. Lender including, without limitation, their obligations under or pursuant to the U.S. Credit Agreement and all related instruments, documents and agreements.

- F. Concurrently herewith, Americ Disc Enterprises is executing and delivering a Guarantee dated as of the date hereof (as it may from time to time hereafter be amended, restated, supplemented or otherwise modified, herein called the “**Enterprises Guarantee**”) in favor of the U.S. Lender, pursuant to which Americ Disc Enterprises is irrevocably and unconditionally guaranteeing the payment and performance in full when due of all obligations of the U.S. Borrowers to the U.S. Lender including, without limitation, their obligations under or pursuant to the U.S. Credit Agreement and all related instruments, documents and agreements.
- G. Certain events of default (the “**Existing Defaults**”) have occurred under the Canadian Credit Agreement and the U.S. Credit Agreement. The Canadian Borrower and the U.S. Borrowers have requested that the relevant Creditors continue to extend credit under the Canadian Credit Agreement and the U.S. Credit Agreement notwithstanding the Existing Defaults. The Creditors are willing to do so but only subject to and to the extent provided in the Standstill Agreement of even date herewith (as it may from time to time hereafter be amended, restated, supplemented or otherwise modified, herein called the “**Standstill Agreement**”) among the Debtors, certain affiliates of the Debtors named therein and the Canadian Agent and provided, among other things, that the Debtors execute and deliver this Agreement.

ACCORDINGLY, in consideration of the premises, and in order to induce the Creditors to enter into, or permit the Canadian Agent to enter into, the Standstill Agreement, to waive the Existing Defaults to the extent provided therein, and to continue to extend credit to the Canadian Borrower and the U.S. Borrowers under the Canadian Credit Agreement and the U.S. Credit Agreement notwithstanding the Existing Defaults, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtors hereby agree with the U.S. Collateral Agent for the benefit of the Creditors as follows:

1. Defined Terms. (a) Capitalized terms that are defined in the Canadian Credit Agreement or the U.S. Credit Agreement and are not otherwise defined herein have the respective meanings given to them in said Credit Agreements and, in addition, the following terms have the following meanings:

“**Agreement**” has the meaning specified in the preamble to this Agreement.

“**Canadian Agent**” has the meaning specified in the preamble to this Agreement.

“**Canadian Borrower**” has the meaning specified in the preamble to this Agreement.

“**Canadian Credit Agreement**” has the meaning specified in the recitals to this Agreement.

“**Canadian Credit Facilities**” has the meaning specified in the recitals to this Agreement.

**“Canadian Lender”** and **“Canadian Lenders”** have the respective meanings specified in the preamble to this Agreement.

**“Capital Lease”** means any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with U.S. generally accepted accounting principles to be capitalized on a balance sheet of the lessee.

**“Chattel Paper”** means any **“chattel paper”**, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**“Collateral”** has the meaning specified in Section 2.

**“Contracts”** means all contracts to which any Debtor is, or may at any time hereafter become, a party and all agreements and undertakings of any third parties in favor or for the benefit of any Debtor.

**“Commercial Tort Claims”** means any “commercial tort claims”, as such term is defined in the Uniform Commercial Code, now existing and described in Schedule VI hereto or hereafter arising and described in written notices delivered by any Debtor to the U.S Collateral Agent from time to time.

**“Contract Rights”** means any right of a Debtor to payment under a Contract not yet earned by performance and not evidenced by an Instrument or Chattel Paper, now in existence or hereafter arising (including, without limitation, (a) all rights of such Debtor to receive moneys due and to become due to it thereunder or in connection therewith, (b) all rights of such Debtor to damages arising out of, or for, breach or default in respect thereof and (c) all rights of such Debtor to perform and to exercise all remedies thereunder).

**“Copyrights”** means all of the following to the extent that any Debtor now has or hereafter acquires any right, title or interest therein: (i) all copyrights in all works, whether published or unpublished, now existing or hereafter created or acquired, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Copyrights Office, and (ii) all renewals thereof.

**“Copyright Licenses”** means any agreement, written or oral, naming any Debtor as licensor or licensee, granting any right to use any Copyright, now in existence or hereafter arising.

**“Creditor”** and **“Creditors”** has the meaning specified in the recitals to this Agreement.

**“Debtor”** and **“Debtors”** have the respective meanings specified in the preamble to this Agreement.

**“Default”** means any event which constitutes a Default (as such term is defined therein) under the Canadian Credit Agreement or the U.S. Credit Agreement.

**“Deposit Account”** means any demand, time, savings, passbook or similar account, or any other “deposit account”, as such term is defined in the Uniform Commercial Code, now or at any time hereafter maintained by any Debtor with a bank or other financial institution, including without limitation the deposit accounts listed in Schedule VII hereto.

**“Documents”** means any “documents”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**“Enterprises Guarantee”** has the meaning specified in the recitals to this Agreement.

**“Equipment”** means all machinery, equipment and furniture now owned or hereafter acquired by any Debtor or in which any Debtor now has or hereafter may acquire any right, title or interest, and any and all additions, substitutions and replacements thereof, wherever located, together with all attachments, components, parts, equipment and accessories installed therein or affixed thereto, including, but not limited to, all “equipment”, as such term is defined in the Uniform Commercial Code.

**“Event of Default”** means any event which constitutes an Event of Default (as such term is defined therein) under the Canadian Credit Agreement or the U.S. Credit Agreement.

**“Existing Defaults”** has the meaning specified in the recitals to this Agreement.

**“Financial Asset”** means any “financial asset”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**“Fixtures”** means any “fixture”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**“General Intangibles”** means any “general intangibles”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**“Goods”** means any “goods”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**“Instrument”** means any “instrument”, as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**“Intellectual Property”** means, collectively, Patents, Patent Licenses, Trademarks, Trademark Licenses, Copyrights and Copyright Licenses.

**“Inventory”** means all inventory, wherever located, now owned or hereafter acquired by any Debtor or in which such Debtor now has or hereafter may acquire any right, title or interest, including, without limitation, all goods and other personal property now or hereafter owned by any Debtor which are held for sale or lease or are furnished or are to be furnished under a contract of service or which constitute raw materials, work in process or materials used or

consumed or to be used or consumed in such Debtor's business, or in the processing, packaging or shipping of the same, and all finished goods, including, but not limited to, all "inventory" as such term is defined in the Uniform Commercial Code.

**"Investment Property"** means any "investment property", as such term is defined in the Uniform Commercial Code, now owned or hereafter acquired by any Debtor.

**"Issuer"** means each issuer of Pledged Shares.

**"Leases"** means all interests now or at any time hereafter held by any Debtor under any leases of real or personal property, whether as lessor or lessee.

**"Letter of Credit Rights"** means any Debtor's right to payment or performance under any letter of credit, whether now existing or hereafter issued, whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance, including without limitation any "letter of credit right", as such term is defined in the Uniform Commercial Code, whether now existing or hereafter created and whether now owned or hereafter acquired by such Debtor.

**"Lien"** means any mortgage, pledge, hypothecation, assignment, security deposit arrangement, encumbrance, lien (whether statutory, consensual or otherwise), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any Capital Lease having substantially the same economic effect as any of the foregoing).

**"Loan Documents"** means, collectively, the Canadian Credit Agreement, the U.S. Credit Agreement, the Supplement, the U.S. Guarantee, the Parent Guarantee, the Enterprises Guarantee, the Standstill Agreement, this Agreement, and any instrument, document or agreement relating to any of the foregoing.

**"Licenses"** and **"Licensing Agreements"** means the Patent Licenses, the Copyright Licenses and the Trademark Licenses.

**"Material Adverse Effect"** means the occurrence of any event or series of events which has or could reasonably be anticipated to have a material adverse effect on (x) the business, assets, liabilities, financial position, results of operations or business prospects of any of the Debtors, (y) the ability of any Debtor to pay and perform its Obligations when due, or (z) the validity or enforceability of any of the Loan Documents, any Lien created by any of the Loan Documents or the rights and remedies of the Creditors under any of the Loan Documents.

**"New Debtor"** has the meaning specified in the preamble to this Agreement.

**"Obligations"** means, with respect to any Debtor, any and all obligations, liabilities and/or indebtedness of such Debtor to any Creditor of whatever nature, whether now existing or hereafter incurred, whether created directly or acquired by such Creditor by assignment or

otherwise, whether matured or unmatured, joint, several or joint and several, secured or unsecured and whether absolute or contingent, including without limitation any and all obligations, liabilities and/or indebtedness of any Debtor to any Creditor under or pursuant to this Agreement or any other Loan Document. Each Debtor's Obligations shall in any event include, without limitation, all interest or other claims which may accrue or arise after the commencement of bankruptcy, insolvency, reorganization, liquidation or other similar proceedings with respect to such Debtor or any of its assets.

**"Patents"** means (i) all patents and patent applications and the inventions and improvements described and claimed therein, and all patentable inventions, now owned or hereafter acquired or obtained by any Debtor, (ii) all registrations and recordings thereof, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, (iii) all reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing, (iv) all income, royalties, damages or payments now and hereafter due and/or payable under or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing, (v) the right to sue for past, present and future infringements of any of the foregoing throughout the world, and (vi) all rights and obligations pursuant to any Patent License with respect thereto, whether such Debtor is a licensor or licensee under any such Patent License, and, subject to the terms of such licenses, such right to prepare for sale, sell and advertise for sale, all inventory now or hereafter owned by any Debtor and now or hereafter covered by such licenses.

**"Patent License"** means any agreement, written or oral, providing for the grant by or to any Debtor of any right to use any Patent, now in existence or hereafter arising.

**"Permitted Encumbrances"** means any of the Liens listed in Schedule VIII.

**"Pledged Collateral"** means the Collateral described in Section 2(g).

**"Pledged Shares"** means all of the shares of Capital Stock listed in Schedule III, together with all certificates evidencing such shares and all other shares of Capital Stock now or at any time hereafter owned by any Debtor.

**"Proceeds"** means (i) all **"proceeds"**, as such term is defined in the Uniform Commercial Code, and (ii) to the extent not included in such definition, (1) any and all proceeds of any insurance, indemnity, warranty, guaranty or letter of credit payable to any Debtor from time to time with respect to any of the Collateral, (2) all payments (in any form whatsoever) paid or payable to any Debtor from time to time in connection with any taking of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of Governmental Authority), (3) all judgments in favor of any Debtor in respect of the Collateral, (4) any claim of any Debtor against third parties for past, present or future infringement or dilution of any Patent or Patent License, Trademark or Trademark License, Copyright or Copyright License and (5) all other amounts from time to time paid or payable or received or receivable under or in connection with any of the Collateral.



**“Receivables”** means all accounts receivable, book debts, notes, drafts, instruments, documents, acceptances and other forms of obligations now owned or hereafter received or acquired by or belonging or owing to any Debtor (including, without limitation, under any trade names, styles or divisions thereof), whether arising out of goods sold by such Debtor or services rendered by it or from any other transaction, whether or not the same involves the sale of goods or performance of services by such Debtor (including, without limitation, any such obligation which would be characterized as an account, general intangible or chattel paper under the Uniform Commercial Code) and all of such Debtor’s rights in, to and under all purchase orders now owned or hereafter received or acquired by it for goods or services, and all of such Debtor’s rights to any goods represented by any of the foregoing (including returned or repossessed goods and unpaid seller’s rights) and all moneys due or to become due to any Debtor under all contracts for the sale of goods and/or the performance of services by it (whether or not yet earned by performance) or in connection with any other transaction, now in existence or hereafter arising, including without limitation the right to receive the proceeds of said purchase orders and contracts, and all collateral security and guarantees of any kind given by any person or entity with respect to any of the foregoing.

**“Standstill Agreement”** has the meaning specified in the recitals to this Agreement.

**“Supplement”** has the meaning specified in the recitals to this Agreement.

**“Supporting Obligation”** means any “supporting obligation”, as such term is defined in the Uniform Commercial Code, whether now existing or hereafter created and whether now owned or hereafter acquired by any Debtor.

**“Trademarks”** means (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired by any Debtor, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and (ii) all renewals thereof.

**“Trademark Licenses”** means any agreement, written or oral, providing for the grant by or to any Debtor of any right to use any Trademark, now in existence or hereafter arising.

**“Uniform Commercial Code”** means the Uniform Commercial Code as in effect from time to time in the State of New York or, if the context expressly refers to another jurisdiction, the Uniform Commercial Code as in effect from time to time in such other jurisdiction.

**“U.S. Borrower”** and **“U.S. Borrowers”** have the respective meanings specified in the preamble to this Agreement.

**“U.S. Credit Agreement”** has the meaning specified in the recitals to this Agreement.

**“U.S. Credit Facility”** has the meaning specified in the recitals to this Agreement.

“**U.S. Collateral Agent**” has the meaning specified in the preamble to this Agreement.

“**U.S. Guarantee**” has the meaning specified in the recitals to this Agreement.

“**U.S. Lender**” has the meaning specified in the preamble to this Agreement.

“**Vehicles**” means all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state, in which any Debtor has or hereafter acquires any right, title or interest, and all tires and other appurtenances to any of the foregoing.

(b) Unless otherwise expressly specified herein, defined terms denoting the singular number shall, when in the plural form, denote the plural number of the matter or item to which such defined terms refer, and vice-versa.

(c) Words of the neuter gender mean and include correlative words of the masculine and feminine gender.

(d) The Section and Schedule headings used in this Agreement are for convenience only and shall not affect the construction or meaning of any provisions of this Agreement.

(e) Unless otherwise specified, the words “**hereof**”, “**herein**”, “**hereunder**” and other similar words refer to this Agreement as a whole and not just to the Section, subsection or clause in which they are used; and the words “**this Agreement**” refer to this Agreement as amended, modified or supplemented from time to time.

(f) Unless otherwise specified, references to Sections, Recitals and Schedules are references to Sections of, and Recitals and Schedules to, this Agreement.

2. Security Interest. As security for the due and punctual payment and performance of all of its Obligations, each Debtor hereby hypothecates (for an amount of One Hundred Twenty-Five Million Canadian Dollars (Cdn\$125,000,000) or the equivalent thereof in U.S. Dollars), pledges and assigns to the U.S. Collateral Agent for the benefit of the Creditors, and hereby grants to the U.S. Collateral Agent for the benefit of the Creditors a lien upon and a continuing security interest in, all of such Debtor’s rights, title and interests in, to and under all personal property and fixtures of such Debtor, whether now owned or hereafter acquired and wherever located, and whether now existing or hereafter arising or created (all such property and assets are herein collectively called the “**Collateral**”), including, without limitation, the following:

- (a) all Receivables of such Debtor;
- (b) all Inventory of such Debtor;
- (c) all Equipment of such Debtor, including, without limitation, all Vehicles of such Debtor (excluding any Equipment subject to purchase money Liens if the terms of the Indebtedness secured by such Liens expressly prohibit such Debtor from

granting any Lien thereon and any Equipment subject to a Capital Lease which expressly prohibits such Debtor from granting any Lien thereon);

- (d) all Contracts and Contract Rights of such Debtor (excluding any Contract that expressly prohibits such Debtor from granting any Lien thereon);
- (e) all Instruments and Chattel Paper of such Debtor;
- (f) all General Intangibles of such Debtor, including, without limitation, all Intellectual Property of such Debtor;
- (g) all Investment Property and other Financial Assets of such Debtor, including, without limitation, (i) the Pledged Shares, (ii) all cash, instruments, securities or other property representing a dividend or other distribution on any of the Pledged Shares, or representing a distribution or return of capital upon or in respect of the Pledged Shares, or resulting from a split-up, revision, reclassification or other like change of the Pledged Shares or otherwise received in exchange therefor, (iii) any warrants, rights or options issued to the holders of, or otherwise in respect of, the Pledged Shares, and (iv) in the event of any consolidation or merger of any Issuer in which such Issuer is not the surviving corporation, all shares of each class of the capital stock of the successor corporation formed by or resulting from such consolidation or merger (provided that nothing herein contained shall be deemed to constitute consent under, or waiver of, any provision of any Loan Document which prohibits such consolidation or merger by any Issuer);
- (h) all Leases of such Debtor (excluding any Lease that expressly prohibits such Debtor from granting any Lien thereon);
- (i) all Fixtures of such Debtor;
- (j) all Deposit Accounts of such Debtor;
- (k) all Letter of Credit Rights of such Debtor;
- (l) all Commercial Tort Claims of such Debtor;
- (m) all Supporting Obligations that may now or at any time hereafter support the payment or performance of any Receivable, General Intangible, Chattel Paper, Document, Instrument or Investment Property of such Debtor;
- (n) all books and records (including, without limitation, computer programs, tapes and related electronic data processing software) relating to such Debtor's Receivables, Inventory, Equipment, Contracts, Intellectual Property, Investment Property, Financial Assets, Deposit Accounts, Letter of Credit Rights, Commercial Tort Claims or other assets; and

- (o) to the extent not otherwise included, all cash and non-cash Proceeds and products of any of the foregoing.

3. Obligations Absolute. (a) Each Debtor hereby agrees that this Agreement shall be binding upon such Debtor, and the grant to the U.S. Collateral Agent for the benefit of the Creditors of a security interest in the Collateral hereunder shall be irrevocable and unconditional, irrespective of the validity, legality or enforceability of any Loan Document or any of the Obligations, the absence of any action to enforce the same, the waiver or consent by any Creditor with respect to any provision thereof, the recovery of any judgment against any other Person, or any action to enforce the same or any other similar circumstances. Each Debtor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of such Debtor, any notice to require a proceeding first against any other Person, protest or notice with respect to any promissory note or evidence of the Obligations secured hereby or the Obligations evidenced thereby and all demands whatsoever, and covenants that this Agreement will remain in full force and effect until no Creditor shall have any further obligation to extend credit to any Debtor under any Loan Document, any letters of credit issued thereunder shall have expired or been terminated, and all of the Obligations shall have been paid in full.

(b) Each Debtor agrees that, without notice to or further assent by such Debtor, the liability of any other Person for or upon any of the Obligations may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised or released by any Creditor, as such Creditor may deem advisable, and that any other Collateral or liens securing any of the Obligations may, from time to time, in whole or in part (subject, in the case of the Collateral, to the provisions of this Agreement), be exchanged, sold or surrendered by the U.S. Collateral Agent or any other Creditor, as the U.S. Collateral Agent or such other Creditor may deem advisable, all without impairing, abridging, affecting or diminishing this Agreement or the rights of the U.S. Collateral Agent or any other Creditor hereunder or with respect to the Collateral.

4. Representations and Warranties. Each Debtor hereby makes the following representations and warranties, as to such Debtor and its respective Collateral only, which shall be deemed to be repeated and confirmed upon the creation or acquisition by such Debtor of each item of Collateral and upon the creation of any Obligation:

(a) Each Debtor is duly organized, validly existing and in good standing under the laws of the jurisdiction specified in the preamble to this Agreement as its jurisdiction of organization, has full power and authority to own its properties and to carry on its business as now being conducted, is duly qualified to do business and is in good standing in each jurisdiction in which the character of its properties, the transaction of its business, the location of its Inventory or Equipment, the performance of its obligations under its Contracts, or the collection of any of its Receivables make such qualification necessary and where the failure to be so qualified would have a Material Adverse Effect, and has full power and authority to execute, deliver and perform this Agreement.

(b) Its execution, delivery and performance of this Agreement and the granting of the security interest in the Collateral hereunder (i) have all been duly authorized by all requisite

action of such Debtor, (ii) do not require the approval of its stockholders, partners or members, except, in each case, any such approval that has been obtained and is in full force and effect and (iii) will not (1) violate any provision of Law or its organizational documents, (2) violate, be in conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material indenture, agreement or other instrument to which it is a party or by which it or any of its properties is bound, (3) violate any governmental or agency rule or regulation or any order of any court, tribunal or governmental agency or (4) result in the creation or imposition of any Lien of any nature whatsoever upon any of the Collateral, except for the security interest created by this Agreement. No authorizations, approvals and consents of, and no filing and registration with, any Governmental Authority are necessary for the execution, delivery or performance by such Debtor of this Agreement or for the validity or enforceability hereof. No consent of any party to a Contract or any account debtor in respect of any Receivable is required in connection with the execution, delivery and performance of this Agreement or the creation of a security interest in such Contract or Receivable pursuant hereto, except such as have been granted and are in full force and effect.

(c) This Agreement constitutes the legal, valid and binding obligation of such Debtor, enforceable against such Debtor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting enforceability of creditors' rights generally and except as specific performance may be subject to equitable principles of general applicability. Except for Permitted Encumbrances, this Agreement creates in favor of the U.S. Collateral Agent for the benefit of the Creditors a valid lien and security interest in the Collateral, enforceable against each Debtor and all third parties and superior in right to all other security interests and Liens, existing or future.

(d) Except for the security interest of the U.S. Collateral Agent therein, each Debtor is, and as to Collateral acquired from time to time after the date hereof such Debtor will be, the owner of all of its respective Collateral, having good title thereto, free from any Lien or other right, title or interest of any Person, other than Permitted Encumbrances.

(e) As to the Collateral of each such Debtor, appropriate financing statements with respect to the security interest created hereunder have been or will be duly filed in all appropriate offices listed in Schedule V hereto; no filing of any other financing statements or other instruments and no recording, filing or indexing of this Agreement is necessary or appropriate in order to preserve and protect the Liens created or intended to be created by this Agreement as legal, valid and enforceable perfected Liens on and security interests in such Debtor's Collateral (other than filings or appropriate assignments with the United States Patent and Trademark Office or the United States Copyright Office with respect to Intellectual Property of such Debtor, if any, and submission of the certificates of title with respect to the Vehicles, if any, to the relevant motor vehicles department for legending).

(f) There is no financing statement (or similar statement or instrument of registration under the Law of any jurisdiction) now on file or registered in any public office (other than in respect of Permitted Encumbrances) covering any interest of any Debtor in its respective Collateral, or intended so to be, and so long as any Creditor shall have any obligation to make credit available to any Debtor under any Loan Document or any letter of credit issued thereunder

shall be in effect or any of the Obligations shall remain unpaid no Debtor will execute, or permit the filing or the continued existence on file of, any financing statement (or similar statement or instrument of registration under the Law of any jurisdiction) relating to its respective Collateral in any public office, except financing statements filed or to be filed with respect to the security interest granted hereunder to the U.S. Collateral Agent or with respect to Permitted Encumbrances.

(g) On the date hereof, the chief executive office and principal place of business of each Debtor is located at the address set forth for such Debtor in Schedule I. The originals of all documents (as well as all duplicates thereof) evidencing or relating to the Receivables, Contracts, Leases, Intellectual Property, Investment Property and other Financial Assets and the only original books of account and records of each Debtor relating thereto are kept at the office or offices specified in Schedule I. All Inventory and Equipment are held on the date hereof at the locations specified in Schedule II.

(h) The name of each Debtor set forth in the preamble hereto is correct. No Debtor is currently doing, and has not at any time during the five years immediately preceding the date hereof done, business under any trade name or other assumed name. During the five years immediately preceding the date hereof no Debtor has had any name other than its present name. No Debtor has merged or consolidated with any other entity during the five years immediately preceding the date hereof.

(i) None of its respective Collateral constitutes farm products (as such term is defined in the Uniform Commercial Code) or the Proceeds thereof.

(j) None of the account debtors on any Receivables, and none of the parties to any Contracts, is a Governmental Authority.

(k) Each Debtor listed in Schedule III in the column entitled "Name of Pledgor" is the sole record and beneficial owner of the Pledged Shares listed opposite its name in said Schedule III. All of the Pledged Shares have been duly authorized and validly issued and are fully paid and non-assessable. Each such Debtor has legal title to the Pledged Shares listed opposite its name and it has good and lawful authority to pledge all of its Pledged Shares in the manner hereby done or contemplated. The Pledged Shares are not subject to any contractual restriction, or any restriction under the certificate of incorporation or by-laws of any Issuer, upon the transfer thereof, and no right, warrant or option to acquire any of its Pledged Shares exists in favor of any other Person. The shares of Capital Stock of each Issuer listed in Schedule III constitute all of the issued and outstanding shares of Capital Stock of such Issuer.

(l) When any item of Pledged Collateral other than the Pledged Shares is pledged hereunder, (i) each Debtor pledging such item of Pledged Collateral will be the owner thereof free and clear of any Liens of any kind or nature (other than those created hereunder and Permitted Encumbrances), (ii) each share of stock comprising such Pledged Collateral will have been duly authorized, validly issued and be fully paid and non-assessable, and (iii) such Debtor will have legal title to such item of Pledged Collateral and such Debtor will have good and

lawful authority to pledge and deliver such item of Pledged Collateral in the manner hereby contemplated.

5. Covenants.

(a) At all reasonable times upon reasonable notice the U.S. Collateral Agent shall have full access to, and the right to audit, check, inspect and make abstracts and copies of, each Debtor's books, records, audits, correspondence and all other papers and computer tapes and programs relating to the Collateral. The Agent shall have the right to confirm and verify the Receivables and other Collateral and to do whatever the U.S. Collateral Agent may reasonably deem necessary to protect the Creditors' interests and each Debtor shall furnish such assistance and information as the U.S. Collateral Agent may require in connection therewith. The Agent may enter from time to time the premises of each Debtor (i) at any time after the occurrence and during the continuance of a Default, and (ii) at any reasonable time during business hours prior to the occurrence of a Default, for the purpose of inspecting the Collateral and any and all records pertaining thereto. In conducting any such inspection prior to the occurrence of a Default, the U.S. Collateral Agent shall use reasonable efforts to minimize any inconvenience to the Debtors.

(b) Each Debtor will keep the Collateral, at its own expense, in customary good repair and condition, and will not misuse, abuse or waste the Collateral or allow the Collateral to deteriorate (or permit any of the foregoing), except for normal wear and tear, and except where the failure to do so would not be reasonably likely to have a Material Adverse Effect, and will make the Collateral available for inspection by the U.S. Collateral Agent (i) at all times after the occurrence and during the continuance of a Default, and (ii) at all reasonable times upon reasonable notice during business hours prior to the occurrence of a Default.

(c) The Debtors will not create, permit or suffer to exist and will defend the Collateral against, and take such other action as is necessary to remove, any Lien on the Collateral, other than Permitted Encumbrances, and each Debtor will defend the right, title and interest of the U.S. Collateral Agent in and to any of such Debtor's rights to the Collateral against the claims and demands of all Persons whomsoever claiming an interest therein adverse to the U.S. Collateral Agent, other than holders of Permitted Encumbrances. Without limiting the generality of the foregoing, no Debtor shall permit the Collateral or any portion thereof to become attached or affixed to any real estate other than real estate on which the U.S. Collateral Agent holds a first mortgage, or become a fixture, as that term is defined in the Uniform Commercial Code, other than on such real estate.

(d) The Debtors will advise the U.S. Collateral Agent promptly, in reasonable detail, of (i) any Lien placed on or asserted against any of the Collateral and (ii) the occurrence of any other event which would have a material effect on the aggregate value of the Collateral or on the security interest created by any Debtor hereunder.

(e) No Debtor will change the location specified in Section 4(g) of its chief executive office, principal place of business or the office where records concerning its Receivables, Contracts, Leases, Intellectual Property, Investment Property or other Financial Assets are kept,

will not keep Inventory or Equipment (other than Inventory in transit) at any location other than the locations specified in Schedule II, and will not change its name, identity or corporate structure, until, in each case, (i) such Debtor has given to the U.S. Collateral Agent not less than 30 days' prior written notice of its intention so to do, clearly describing such new location, name, identity or corporate structure and providing such other information in connection therewith as the U.S. Collateral Agent may reasonably request, and (ii) such Debtor has taken such other actions satisfactory to the U.S. Collateral Agent (including, without limitation, the delivery of additional financing statements duly signed by such Debtor), as are necessary to maintain the security interest of the U.S. Collateral Agent in the Collateral at all times senior and fully perfected and in full force and effect.

(f) No Vehicle shall be removed from the state which has issued the certificate of title or ownership therefor for a period in excess of four months. Subject to the proviso to this sentence, with respect to each Vehicle, if any, now owned by any Debtor, within 15 days of the date hereof, and, with respect to any Vehicles acquired by any Debtor subsequent to the date hereof, within 15 days after the date of acquisition thereof, all applications for certificates of title or ownership indicating the U.S. Collateral Agent's security interest on the Vehicle covered by such certificate, and any other necessary documentation, shall be filed in each jurisdiction which the U.S. Collateral Agent shall deem advisable to perfect its security interests in the Vehicles; provided that this shall not prohibit any Debtor from using purchase money financing to acquire Vehicles to the extent permitted by the Loan Documents.

(g) Each Debtor will furnish to the U.S. Collateral Agent within ten (10) days after any request therefor by the U.S. Collateral Agent, statements (prepared by such Debtor in form, substance and detail satisfactory to the U.S. Collateral Agent) of all Receivables of such Debtor (showing reconciliations, aging and test verifications thereof and trial balances therefor), itemized by the account debtor, and of the location (and aggregate book value at each such location) of all Inventory of such Debtor, each such statement to be certified by its chief financial officer, and, promptly from time to time, such other information as the U.S. Collateral Agent may reasonably request regarding the Collateral and its operations, business, affairs and financial condition.

(h) No Debtor will sell, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so, except to another Debtor or as permitted by the Loan Documents. Any sale or other disposition of Inventory or Equipment in the ordinary course of business shall be free and clear of all Liens in favor of the U.S. Collateral Agent hereunder, it being understood and agreed that such Liens shall attach to all Proceeds of such sale or other disposition.

(i) Each Debtor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the U.S. Collateral Agent from time to time such lists, descriptions, schedules, invoices, warehouse receipts, bills of confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports, duly executed blank stock powers and other instruments of transfer or assignment and other assurance or instruments and take such further steps relating to its respective Collateral and other property or rights covered by the security interest hereby granted by it, as the U.S. Collateral Agent in its



reasonable judgment deems appropriate or advisable to perfect, preserve or protect its security interest in its respective Collateral.

6. Special Provisions Concerning Receivables. (a) As of the time when any Receivable arises, each Debtor shall be deemed to have warranted as to such Receivable that such Receivable and all papers and documents relating thereto are genuine and in all respects what they purport to be, and that each such Receivable (i) will represent the genuine, legal, valid and binding obligation of the account debtor thereon for the unpaid amount owed by such account debtor for the sale and delivery by such Debtor of the goods, or the performance by such Debtor of the services, listed therein, (ii) will be the only original writings evidencing and embodying such obligation of the account debtor named therein, (iii) will evidence true obligations, enforceable in accordance with their respective terms and not subject to any stamp or other taxes, except as shall be disclosed to the U.S. Collateral Agent, and (iv) will be, to the best knowledge of such Debtor, in compliance and will conform with all applicable federal, state and local Laws and applicable Laws of any relevant foreign jurisdiction. Each Debtor shall take all reasonable steps necessary to preserve the liability of each account debtor, guarantor, endorser, obligor, secondary party on or with respect to the Receivables. Each Debtor will notify the U.S. Collateral Agent in writing of any defenses, set-offs or counterclaims affecting a material portion of such Debtor's Receivables, promptly after obtaining knowledge thereof.

(b) Each Debtor will keep and maintain, at its own expense, satisfactory and complete records of the Receivables, including, but not limited to, records of all payments received, all credits granted thereon, all merchandise returned and all other dealings therewith, and such Debtor will make the same available to the U.S. Collateral Agent, at the Debtor's expense, at any and all reasonable times upon demand of the U.S. Collateral Agent. At the request of the U.S. Collateral Agent, each Debtor shall legend, in form and manner satisfactory to the U.S. Collateral Agent, its Receivables and its books, records and documents evidencing or pertaining to its Receivables with an appropriate reference to the fact that such Receivables have been assigned to the U.S. Collateral Agent for the benefit of the Creditors and that the U.S. Collateral Agent has a security interest therein.

(c) The Debtors will not rescind or cancel any Indebtedness evidenced by any of the Receivables or modify any term thereof or make any adjustment with respect thereto, or extend or renew the same, or compromise or settle any dispute, claim, suit or legal proceeding relating thereto, or sell any of such Receivables or interest therein, without the prior written consent of the U.S. Collateral Agent, except as permitted by Section 6(e).

(d) Each Debtor will duly fulfill all obligations on its part to be fulfilled under or in connection with the Receivables and will do nothing to impair the rights of the U.S. Collateral Agent in the Receivables.

(e) Each Debtor will endeavor to collect or cause to be collected from the account debtor on each of its Receivables (including, without limitation, Receivables which are delinquent, such Receivables to be collected in accordance with generally accepted lawful collection procedures), as and when due, any and all amounts owing under or on account of such Receivables, except that prior to the occurrence of a Default such Debtor may allow in the

ordinary course of business as adjustments to amounts owing under its Receivables (i) an extension or renewal of the time or times of payment, or settlement for less than the total unpaid balance, which such Debtor finds necessary in accordance with sound business and credit judgment and (ii) a refund or credit due as a result of returned or damaged Inventory or improper or faulty performance of services. The costs and expenses (including attorney's fees) of collection, whether incurred by such Debtor or the U.S. Collateral Agent, shall be borne by such Debtor.

(f) The Debtors shall, promptly upon learning thereof, report to the U.S. Collateral Agent all delays in performance, notices of default, claims made or disputes asserted by any account debtor or other obligor on any Receivable and any other matters materially affecting the value, enforceability or collectibility of any Receivable, which could reasonably be expected to have a Material Adverse Effect.

(g) After the occurrence and during the continuance of any Default, the U.S. Collateral Agent is authorized and empowered in its sole discretion to accept the return of goods, if any, represented by any Receivable or Contract Rights, without notice to or consent by any Debtor, all without discharging or in any way affecting such Debtor's liability hereunder or on the Obligations.

(h) After the occurrence and during the continuance of a Default, the U.S. Collateral Agent shall have the right, upon five days' notice to the applicable Debtor that it intends to exercise its rights under this Section 6(h), without further notice to or assent by any Debtor, and without affecting the Obligations, in the name of such Debtor or in the name of the U.S. Collateral Agent or otherwise, to take any or all of the following actions: (i) to notify any or all account debtors under any or all of the Receivables to make payment thereof directly to the U.S. Collateral Agent for the account of such Debtor or the U.S. Collateral Agent and to require such Debtor to forthwith give similar notice to the account debtors; (ii) to demand, collect, sue for, receive, compound and give acquittance for any of the Receivables or any part thereof; (iii) to extend the time of payment of, compromise or settle for cash, credit or otherwise, and upon any terms and conditions, any of the Receivables; (iv) to endorse the name of such Debtor on any checks, drafts or other orders or instruments for the payment of moneys payable to such Debtor which shall be issued in respect of any Receivable; (v) to file any claims and commence, maintain or discontinue any actions, suits or other proceedings deemed by the U.S. Collateral Agent to be necessary or advisable for the purpose of collecting or enforcing payment of any Receivable; (vi) to execute any instrument and do any and all other things necessary and proper to protect and preserve and realize upon the Receivables and the other rights contemplated hereby; (vii) to require such Debtor to forthwith account for and transmit to the U.S. Collateral Agent in the same form as received, all proceeds (other than physical property) of collection of Receivables received by such Debtor and, until so transmitted, to hold the same in trust for the U.S. Collateral Agent and not commingle such proceeds with any other funds of such Debtor; (viii) to require such Debtor to deliver, at such Debtor's expense, any or all papers, documents, correspondence, records and computer programs and tapes and other electronic data processing software evidencing or relating to the Receivables to the U.S. Collateral Agent at a place designated by the U.S. Collateral Agent; (ix) to notify the Post Office authorities to change the address for delivery of mail addressed to such Debtor to such address as the U.S. Collateral

Agent may designate; and (x) to do all other acts and things necessary to carry out this Agreement. The Agent shall not be obligated to do any of the acts hereinabove authorized, but in the event that the U.S. Collateral Agent elects to do any such act, the U.S. Collateral Agent shall not be responsible to any Debtor except for its gross negligence or willful misconduct.

(i) If any Receivable becomes evidenced by a promissory note or similar instrument in the sum of more than \$5,000, such Debtor will promptly notify the U.S. Collateral Agent thereof, and upon request by the U.S. Collateral Agent will promptly deliver such instrument to the U.S. Collateral Agent appropriately endorsed to the order of the U.S. Collateral Agent as further security for the payment in full of the Obligations.

7. Special Provisions Concerning Inventory and Equipment. (a) Each Debtor will at all times keep all of its Inventory and Equipment insured at its expense, to the extent and in the manner required by the Loan Documents, against fire, theft, and all other risks to which its Inventory and Equipment may be subject; all policies or certificates with respect to such insurance shall be endorsed to the U.S. Collateral Agent's satisfaction for the benefit of the U.S. Collateral Agent, including, without limitation, by naming the U.S. Collateral Agent as loss payee or additional insured, and evidence of such insurance shall be deposited with the U.S. Collateral Agent as provided in the Loan Documents. If any Debtor shall fail to insure its Inventory and Equipment as provided herein, or if any Debtor shall fail so to endorse and deposit all policies or certificates with respect thereto in accordance herewith, the U.S. Collateral Agent shall have the right (but shall be under no obligation) to procure such insurance and each Debtor agrees to reimburse the U.S. Collateral Agent for all costs and expenses of procuring such insurance that such Debtor failed to procure. The Agent may apply any proceeds of such insurance with respect to its Inventory and Equipment, when received by it, in accordance with Section 13; provided, however, that if the U.S. Collateral Agent determines, in its sole discretion, that the loss or damage with respect to which such insurance proceeds were paid could not reasonably be expected to have a Material Adverse Effect, the U.S. Collateral Agent may remit such insurance proceeds to the relevant Debtor to be used for repairing, replacing or reconstructing the damaged assets in accordance with a plan that is satisfactory to the U.S. Collateral Agent. Each Debtor shall give immediate written notice to the insurers and to the U.S. Collateral Agent of any loss or damage to its Collateral or any part thereof and shall promptly file all necessary or appropriate proofs of loss with the insurers. Each Debtor hereby appoints the U.S. Collateral Agent the attorney-in-fact for such Debtor in obtaining, adjusting and canceling any such insurance and endorsing settlement drafts.

(b) The U.S. Collateral Agent shall have the right, upon the occurrence and during the continuance of a Default, upon five days' notice to the applicable Debtor that it intends to exercise its rights under this Section 7(b), without further notice to or assent by any Debtor, and without affecting the Obligations, in the name of such Debtor or in the name of the U.S. Collateral Agent or otherwise, to take any or all of the following actions: (i) upon notice to such effect, to require such Debtor to deliver, at such Debtor's expense, any or all of its Inventory and Equipment to the U.S. Collateral Agent at a place designated by the U.S. Collateral Agent; (ii) to take possession of any or all of the Inventory and Equipment and, for that purpose, to enter, with the aid and assistance of any Person, any premises where such Inventory and Equipment, or any part thereof, is, or may be, placed or assembled, to remove any such Inventory or Equipment,

and to dispose of or store such Inventory or Equipment in such premises at the expense of the Debtors; and (iii) to execute or endorse any instrument (including, without limitation, any invoice, bill of lading, and storage or warehouse receipt) and do all the things necessary and proper to protect and preserve and realize upon the Inventory and Equipment and the other rights contemplated hereby. The U.S. Collateral Agent shall not be obligated to do any of the acts hereinabove authorized, but in the event that the U.S. Collateral Agent elects to do any such act, the U.S. Collateral Agent shall not be responsible to any Debtor except for the U.S. Collateral Agent's own gross negligence or willful misconduct.

(c) Upon taking possession of any Inventory or Equipment pursuant hereto following the occurrence of a Default, the U.S. Collateral Agent shall have the right to hold, store and/or use, manage, control and sell such Inventory or Equipment. Upon any such taking of possession of any Inventory or Equipment, the U.S. Collateral Agent may, from time to time at the expense of the Debtors, make all such repairs, replacements, alterations, additions and improvements to and of such Inventory or Equipment as the U.S. Collateral Agent may deem proper. In any such case, the U.S. Collateral Agent shall have the right to manage and control such Inventory or Equipment and to carry on the business and exercise all rights and powers of each Debtor respecting its Inventory and Equipment, all as the U.S. Collateral Agent shall deem best; and the U.S. Collateral Agent shall be entitled to collect and receive all issues, profits, fees, revenues and other income of the same and every part thereof. Such issues, profits, fees, revenues and other income shall be applied to pay the expenses incurred by the U.S. Collateral Agent or its agents in (i) holding such Inventory or Equipment; (ii) performing all repairs, replacements, alterations, additions and improvements which the U.S. Collateral Agent may be required or may elect to make, if any; and (iii) paying all taxes, assessments, insurance, warehouse fees and other charges upon such Inventory or Equipment or any part thereof, and all other payments, which the U.S. Collateral Agent may be required or authorized or elect to make (including legal costs and attorneys' fees). Any remaining rents, issues, profits, fees, revenues and other income shall be applied to the payment of the Obligations in accordance with Section 13.

8. Special Provisions Concerning Intellectual Property. (a) Except to the extent that the U.S. Collateral Agent, upon prior written notice from the relevant Debtor, shall consent in writing, each Debtor (either itself or through licensees) will, consistent with sound business judgment, continue to use its Trademarks, if any, on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain its Trademarks in full force free from any claim of abandonment for nonuse and no Debtor will (nor permit any licensee thereof to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated, except for Trademarks the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(b) Each Debtor shall take all necessary steps, consistent with sound business judgment, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain each application and registration of its Trademarks, Copyrights and Patents, including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings (except to the extent

that dedication, abandonment or invalidation of any Trademark, Patent or Copyright could not reasonably be expected to result in a Material Adverse Effect).

(c) The Debtors assume all responsibility and liability arising from the use of the Trademarks, Copyrights or Patents, and hereby agree jointly and severally to indemnify and hold the U.S. Collateral Agent harmless from and against any claim, suit, loss, damage or expense (including reasonable attorneys' fees) arising out of any alleged defect in any product manufactured, promoted or sold by any of the Debtors (or any affiliate or subsidiary thereof) in connection with, or which bears or includes, any Trademark, Copyright or Patent or out of the manufacture, promotion, labeling, sale or advertisement of any such product by any of the Debtors (or any affiliate or subsidiary thereof). Each Debtor agrees that the U.S. Collateral Agent does not assume, and shall have no responsibility for, the payment of any sums due or to become due under any agreement or contract included in the Collateral or the performance of any obligations to be performed under or with respect to any such agreement or contract by such Debtor, and the Debtors hereby agree jointly and severally to indemnify and hold the U.S. Collateral Agent harmless with respect to any and all claims by any person relating thereto.

(d) Each Debtor agrees that if it, or any Affiliate or Subsidiary thereof, learns of any use by any person of any term or design likely to cause confusion with any Trademark (other than a Trademark the loss of which could not reasonably be expected to result in a Material Adverse Effect) it shall promptly notify the U.S. Collateral Agent of such use and, if requested by the U.S. Collateral Agent, shall join with the U.S. Collateral Agent, at such Debtor's expense, in such action as the U.S. Collateral Agent, in its reasonable discretion, may deem advisable for the protection of the U.S. Collateral Agent's interests in and to the Trademarks.

(e) All licenses of its Trademarks, Copyrights or Patents which the Debtors have granted to third parties as of the date hereof are set forth in Schedule IV hereto.

(f) The Trademarks, Copyrights and Patents are subsisting, have not been adjudged invalid or unenforceable in whole or in part, and are not currently being challenged in any way, except for Trademarks, Copyrights and Patents the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(g) None of the Trademarks, Copyrights or Patents have lapsed or expired or have been abandoned or canceled, whether due to any failure to pay any maintenance or other fees or make any filing or otherwise except, for Trademarks, Copyrights and Patents the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(h) Each of the Trademarks, Copyrights and Patents is valid and enforceable and the Debtors are not aware of any impairments to the Trademarks, Copyrights or Patents which would have a material effect on the validity and/or enforceability thereof, except for Trademarks, Copyrights and Patents the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(i) No claim has been made that the use of any of the Trademarks, Copyrights or Patents constitutes an infringement, except for Trademarks, Copyrights and Patents the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(j) Each Debtor will continue to use, consistent with past practice, proper statutory notice in connection with its use of the Trademarks, except for Trademarks the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(k) Each Debtor will use standards of quality in its manufacture of products sold under the Trademarks consistent with those currently employed by it, except for Trademarks the loss of which could not reasonably be expected to result in a Material Adverse Effect.

(l) No Debtor shall adopt or use any mark which is confusingly similar or a colorable imitation of any Trademark unless it shall have granted to the U.S. Collateral Agent a perfected security interest in such mark pursuant to this Agreement.

(m) No Debtor will (either itself or through licensees) do any act, or omit to do any act, whereby any Copyright may become injected into the public domain, other than Copyrights the loss of which could not reasonably be expected to result in a Material Adverse Effect. Each Debtor shall notify the U.S. Collateral Agent immediately if it knows, or has reason to know, that any Copyright may become injected into the public domain or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any court or tribunal in the United States or any other country) regarding such Debtor's ownership of any such Copyright or its validity.

(n) Each Debtor shall take, consistent with sound business judgment, such actions as it may deem necessary to protect its Trademarks, Copyrights or Patents including, where such Debtor deems it appropriate, the bringing of suit for infringement, seeking injunctive relief and seeking to recover any and all damages for such infringement, except for Trademarks, Copyrights and Patents the loss of which could not reasonably be expected to result in a Material Adverse Effect.

9. Additional Provisions Concerning Pledged Shares.

(a) Registration in Nominee Name. The U.S. Collateral Agent shall have the right to appoint one or more agents for the purpose of retaining physical possession of the certificates representing or evidencing the Pledged Collateral, which may be held (in the discretion of the U.S. Collateral Agent) in the name of the relevant Debtor, endorsed or assigned in blank or in favor of the U.S. Collateral Agent, or any nominee or nominees of the U.S. Collateral Agent or any agent appointed by the U.S. Collateral Agent. In addition to all other rights possessed by the U.S. Collateral Agent, the U.S. Collateral Agent may, from time to time after the occurrence and during the continuation of a Default, at the U.S. Collateral Agent's sole discretion, upon five days' notice to the applicable Debtor that it intends to exercise its rights under this Section 9(a), without further notice to or assent by any Debtor, and without affecting the Obligations, in the name of such Debtor or in the name of the U.S. Collateral Agent or otherwise, take any or all of the following actions: (i) transfer all or any part of the Pledged Collateral into the name of the

U.S. Collateral Agent or its nominee, with or without disclosing that such Pledged Collateral is subject to the Lien and security interest created hereby; (ii) take control of any proceeds of any of the Pledged Collateral; and (iii) exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations for any purpose consistent with its rights under this Agreement; provided that all powers of the U.S. Collateral Agent under this Section shall be subject to the rights of the Debtors under Section 11 hereof to the extent that the exercise of such powers represents a sale of an item of Pledged Collateral.

(b) Voting Rights; Dividends, Etc.

(i) So long as no Default has occurred and is continuing, each Debtor shall be entitled to exercise any and all voting rights and powers relating or pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement.

(ii) So long as no Default has occurred and is continuing, each Debtor shall be entitled to receive and retain any and all cash dividends, distributions and returns of capital paid on or with respect to the Pledged Collateral. Any and all stock dividends, liquidating dividends, distributions of property, or redemptions made on or in respect of the Pledged Collateral, whether resulting from a subdivision, combination or reclassification of the outstanding Capital Stock of any Issuer or received in exchange for Pledged Collateral or any part thereof or as a result of any merger, consolidation, acquisition or other exchange of assets to which any Issuer may be a party or otherwise, and any and all cash and other property received in payment of the principal of or in redemption of or in exchange for any Pledged Collateral (either at maturity, upon call for redemption or otherwise), shall become part of the Pledged Collateral and, if received by any Debtor, such cash and other property, net of any amounts necessary to satisfy the tax liability of the recipient thereof with respect thereto, shall be held in trust for the benefit of the U.S. Collateral Agent and shall forthwith be delivered to the U.S. Collateral Agent or its designated agent (accompanied by proper instruments of assignment and/or stock powers executed by such Debtor in accordance with the U.S. Collateral Agent's instructions) to be held subject to the terms of this Agreement.

(iii) Upon the occurrence of a Default and so long as such Default shall continue, at the option of the U.S. Collateral Agent (subject to applicable law), (x) all rights of each Debtor to exercise the voting rights and powers which such Debtor is entitled to exercise pursuant to Section 9(b)(i) shall cease, and all such rights shall thereupon become vested in the U.S. Collateral Agent, and the U.S. Collateral Agent shall have the sole and exclusive right and authority to exercise such voting and/or consensual rights and powers and (y) the U.S. Collateral Agent shall be entitled to receive and retain any and all cash dividends, if any, paid on the Pledged Collateral. Any and all cash and other property paid over to or received by the U.S. Collateral Agent pursuant to the provisions of this subsection shall be retained by the U.S. Collateral Agent as part of the Pledged Collateral, and shall be applied in accordance with the provisions hereof.

(iv) Concurrently with its execution of this Agreement, each Debtor shall execute and deliver to the U.S. Collateral Agent an irrevocable proxy to vote the Pledged Shares,

substantially in the form of Exhibit A. After the occurrence and during the continuance of a Default, each Debtor shall deliver to the U.S. Collateral Agent such further evidence of such irrevocable proxy or such further irrevocable proxies to vote any shares or stock constituting part of the Pledged Collateral as the U.S. Collateral Agent may reasonably request.

10. Financing Statements: Documentary Stamp Taxes.

(a) Each Debtor agrees to sign and deliver to the U.S. Collateral Agent such financing statements, in form acceptable to the U.S. Collateral Agent, as the U.S. Collateral Agent may from time to time reasonably request or as are necessary in the opinion of the U.S. Collateral Agent to establish and maintain a valid, enforceable and perfected security interest in its Collateral and the other rights and security contemplated hereby which is superior and prior to the rights of all third Persons. Each Debtor will pay any applicable filing fees and taxes and related expenses. Each Debtor authorizes the U.S. Collateral Agent to file any such financing statements without the signature of such Debtor. In the event that the U.S. Collateral Agent files any financing statement against a Debtor without its signature, it will notify such Debtor promptly of such filing, it being understood and agreed, however, that failure to do so will not affect the validity of such filing.

(b) The Debtors jointly and severally agree to procure, pay for, affix to any and all documents and cancel any documentary tax stamps or similar taxes required by, and in accordance with, applicable Law, and they jointly and severally agree to indemnify the U.S. Collateral Agent and hold the U.S. Collateral Agent harmless against any liability (including interest and penalties) in respect of such taxes.

11. Additional Provisions Concerning Remedies and Sale of Collateral.

(a) In addition to any rights and remedies contained herein or now or hereafter granted under applicable Law and not by way of limitation of any such rights and remedies, upon the occurrence and during the continuance of a Default, the U.S. Collateral Agent shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any applicable jurisdiction in addition to the rights and remedies provided herein. The U.S. Collateral Agent may take legal proceedings for the appointment of a receiver or receivers (to which the U.S. Collateral Agent shall be entitled as a matter of right) to take possession of the Collateral pending the sale thereof pursuant either to the powers of sale granted by this Agreement or to a judgment, order or decree made in any judicial proceeding for the foreclosure or involving the enforcement of this Agreement.

(b) Upon the occurrence and during the continuance of any Default the U.S. Collateral Agent shall have the right to seize and take possession of any Collateral (or any paper, documents, correspondence, computer tapes and programs and other electronic data processing software relating to the Collateral), and may enter the premises where such Collateral (or such paper, documents, correspondence, tapes, programs or software) are located for the purpose of effecting such seizure. At any time or from time to time after the occurrence and during the continuance of a Default the U.S. Collateral Agent may hire and maintain on any of the premises of any Debtor a custodian or independent contractor selected by the U.S. Collateral Agent who



shall have full authority to do all lawful acts necessary to protect the U.S. Collateral Agent's interests and to report to the U.S. Collateral Agent thereon. Each Debtor hereby agrees to cooperate with any such Person and to do whatever the U.S. Collateral Agent may reasonably request to preserve the Collateral. All expenses incurred by the U.S. Collateral Agent by reason of the employment of any such Person shall be payable by such Debtor and shall be secured hereby and shall be a part of the Obligations.

(c) Upon the occurrence and during the continuance of a Default the U.S. Collateral Agent may, without obligation to resort to other security, at any time and from time to time, sell, re-sell, assign and deliver all or any of the Collateral, in one or more parcels at the same or different times, and all right, title and interest, claim and demand therein and right of redemption thereof, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery, and at such price or prices and on such terms as the U.S. Collateral Agent may determine, with the amounts realized from any such sale to be applied in the manner provided in Section 13. Each Debtor hereby agrees that all of the foregoing may be effected without demand, advertisement or notice (except as required by Law or as expressly provided herein), all of which (to the extent permitted by Law) are hereby expressly waived. Subject to applicable Law, upon any sale of any of the Collateral, whether made under the power of sale hereby given or under judgment, order or decree in any judicial proceeding for the foreclosure involving the enforcement of this Agreement, (i) any Creditor may bid for the property being sold, and upon compliance with the terms of sale may hold, retain and possess and dispose of such property in its own absolute right without further accountability, and may, in paying the purchase money therefor, discharge a portion of the Obligations owing to such Creditor in an amount equal to such purchase price; (ii) any Creditor may make and deliver to the purchaser or purchasers a good and sufficient deed, bill of sale and instrument of assignment and transfer of the property sold; (iii) the U.S. Collateral Agent may make all necessary deeds, bills of sale and instruments of assignment and transfer of the property thus sold; but if so requested by the U.S. Collateral Agent or such purchaser, each Debtor shall ratify and confirm any such sale or transfer by executing and delivering to the U.S. Collateral Agent or such purchaser all property, deeds, bills of sale, instruments of assignment and transfer and releases as may be designated in any such request; (iv) all right, title, interest, claim and demand whatsoever, either in law or in equity or otherwise, of such Debtor of, in and to the property so sold shall be divested and such sale shall be a perpetual bar both at law and in equity against such Debtor, its successors and assigns, and against any and all Persons claiming or who may claim the property sold or any part thereof from, through or under such Debtor, its successors or assigns; and (v) the receipt of the U.S. Collateral Agent or of the officer thereof making such sale shall be a sufficient discharge to the purchaser or purchasers at such sale for his or their purchase money, and such purchaser or purchasers, and his, its or their assigns or personal representatives, shall not, after paying such purchase money and receiving such receipt of the U.S. Collateral Agent or of such officers thereof, be obligated to see to the application of such purchase money or be in any way answerable or responsible for any loss, misapplication or non-application thereof.

(d) To the extent that it may lawfully do so, each Debtor agrees that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any appraisalment, valuation, stay, extension or redemption Laws, or any Law permitting it to

direct the order in which the Collateral or any part thereof shall be sold, now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance or enforcement of this Agreement or the Obligations, and each Debtor hereby expressly waives all benefit or advantage of any such Laws and covenants that it will not hinder, delay or impede the execution of any power granted or delegated to the U.S. Collateral Agent in this Agreement, but will suffer and permit the execution of every such power as though no such Laws were in force. In the event of any sale of Collateral pursuant to this Agreement by the U.S. Collateral Agent, the U.S. Collateral Agent shall, at least 10 days before such sale, give the Debtors written notice (which notice may be given by telecopier) of its intention to sell, except that, if the U.S. Collateral Agent shall determine in its sole discretion that any of the Collateral is perishable or threatens to decline speedily in value, any such sale may be made upon one day's written notice (which notice may be given by telecopier) to the Debtors.

(e) Each Debtor agrees that upon the occurrence of any Default and at any time during the continuance thereof, any of the monies, deposit balances and other property of such Debtor held by, or coming into the possession of, the U.S. Collateral Agent may be applied (including, without limitation, by way of set-off) by the U.S. Collateral Agent to a reduction of the Obligations.

(f) For the purpose of enabling the U.S. Collateral Agent to exercise rights and remedies hereunder, each Debtor hereby grants to the U.S. Collateral Agent access upon the occurrence and during the continuance of a Default (after taking into account any applicable grace or cure period) to all media in which any Collateral consisting of Intellectual Property may be recorded or stored and to all computer equipment and software programs used for the compilation or printout thereof to the extent that such Debtor may lawfully do so, and hereby authorizes any and all custodians thereof to release such media to the U.S. Collateral Agent or in accordance with the U.S. Collateral Agent's instructions upon receipt of a letter executed by the U.S. Collateral Agent stating that a Default has occurred and is continuing.

(g) For the purpose of enabling the U.S. Collateral Agent to exercise its rights and remedies under this Agreement at such time as the U.S. Collateral Agent, without regard to this Section 11(g), shall be lawfully entitled to exercise such rights and remedies and for no other purpose, each Debtor hereby grants to the U.S. Collateral Agent, effective upon the occurrence and during the continuance of a Default and notice by the U.S. Collateral Agent that it desires to exercise such rights and remedies, an irrevocable, exclusive license, exercisable without payment of royalty or other compensation to any of the Debtors, to use, assign, license or sublicense any of the Collateral consisting of Intellectual Property, including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout thereof.

(h) Each Debtor understands that compliance with Federal or state securities laws may limit the course of conduct of the U.S. Collateral Agent if the U.S. Collateral Agent were to attempt to dispose of all or any part of the Pledged Collateral and may also limit the extent to which or the manner in which any subsequent transferee of the Pledged Collateral may dispose of the same. Each Debtor agrees that in any sale of any of the Pledged Collateral the U.S. Collateral Agent is hereby authorized to comply with any such limitation or restriction in

connection with such sale as it may be advised by counsel is necessary in order to (x) avoid any violation of applicable Law (including, without limitation, compliance with such procedures as may restrict the number of prospective bidders and purchasers and/or further restrict such prospective bidders or purchasers to Persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Pledged Collateral) or (y) obtain any required approval of the sale or of the purchaser by any governmental regulatory authority or official. Each Debtor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, and that the U.S. Collateral Agent shall not be liable or accountable to such Debtor for any discount allowed by reason of the fact that the Pledged Collateral is sold in compliance with any such limitation or restriction.

(i) The U.S. Collateral Agent shall be under no obligation to delay a sale or disposition of any of the Pledged Shares to permit the Issuer of such Pledged Shares to register them for public sale under the Securities Act of 1933 or under any applicable state securities or blue-sky Laws, provided that no such sale or disposition shall be in violation of applicable securities Laws.

12. U.S. Collateral Agent Appointed Attorney-in-Fact.

(a) Effective upon the occurrence and during the continuance of a Default, each Debtor hereby appoints the U.S. Collateral Agent as such Debtor's attorney-in-fact, with full power of substitution, for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the U.S. Collateral Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the U.S. Collateral Agent shall have the right and power, in its own name or as attorney-in-fact for any Debtor, (i) to take any of the actions specified in Section 6(h) or 7(b) and (ii) generally, to do, at the U.S. Collateral Agent's option and at the Debtor's expense, at any time, or from time to time, all acts and things that the U.S. Collateral Agent deems necessary to protect, preserve and realize upon the Collateral and the U.S. Collateral Agent's security interest therein; and each Debtor hereby ratifies all that the U.S. Collateral Agent, acting as attorney-in-fact for such Debtor, shall lawfully do or cause to be done by virtue hereof.

(b) Concurrently with the execution and delivery hereof, each Debtor will execute and deliver to the U.S. Collateral Agent a Special Power of Attorney substantially in the form of Exhibit B hereto for the implementation of the assignment, sale or other disposition any of the items of Collateral that constitute Intellectual Property or any portion thereof pursuant to Sections 11(c), 11(d), and 11(g) upon the occurrence and during the continuance of a Default and for the other purposes specified in such Power of Attorney, and each Debtor hereby releases the U.S. Collateral Agent from any claims, causes of action and demands at any time arising out of or with respect to any actions taken or omitted to be taken by the U.S. Collateral Agent under the power of attorney granted herein or therein, other than actions taken or omitted to be taken through the gross negligence or willful misconduct of the U.S. Collateral Agent.

13. Application of Moneys; Reassignment of Collateral. Except as otherwise provided herein,

(a) all moneys which the U.S. Collateral Agent shall receive pursuant to this Agreement shall be applied in the following manner: First, to the payment in full of all costs and expenses incurred by the U.S. Collateral Agent in connection with the administration and enforcement of, or the preservation of any rights under, this Agreement and the realization on such Collateral (including, without limitation, the fees and disbursement of the U.S. Collateral Agent's counsel and agents); and, Second, to the payment in full of all other Obligations in such order and manner as the U.S. Collateral Agent may determine in its sole and absolute discretion; and

(b) The balance, if any, of such moneys after the payment in full of the Obligations, the termination of any obligation on the part of any Creditor to make credit available to any Debtor under any Loan Document, and the expiration or termination of any letters of credit issued thereunder, shall be paid over to the Debtors or as otherwise required by law or as directed by a court of competent jurisdiction. Upon the payment in full of the Obligations, the termination of any obligation on the part of any Creditor to make credit available to any Debtor under any Loan Document, and the expiration or termination of any letters of credit issued thereunder, all Collateral not sold or otherwise disposed of pursuant hereto shall, at the request of the Debtors and at the sole cost and expense of the Debtors, be reassigned by the U.S. Collateral Agent to the Debtors (or as otherwise directed by a court of competent jurisdiction), without recourse and without any representations, warranties or agreements of any kind, other than that such Collateral is free and clear of any Liens placed thereon by the U.S. Collateral Agent. Each Debtor shall remain jointly and severally liable to the Creditors for any deficiency remaining on the Obligations after the aforesaid application of such monies to the Obligations.

14. Compliance With Securities Laws.

(a) If the U.S. Collateral Agent determines to exercise its right to sell any or all of the Pledged Shares, upon written request from the U.S. Collateral Agent, each Debtor shall furnish to the U.S. Collateral Agent all such information as the U.S. Collateral Agent may reasonably request in order to determine the number of Pledged Shares which may be sold by the U.S. Collateral Agent in transactions not requiring registration under the Securities Act of 1933 and the rules of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

(b) Each Debtor further agrees that, upon written request from the U.S. Collateral Agent after the occurrence and during the continuance of a Default, it shall furnish to the U.S. Collateral Agent such further information, it shall execute and deliver to the U.S. Collateral Agent such instruments and documents, and it shall do or cause to be done such other acts and things, as the U.S. Collateral Agent may reasonably require to permit the U.S. Collateral Agent to sell or dispose of the Pledged Shares or any portion thereof in one or more exempt transactions under the Securities Act of 1933 and the rules of the Securities and Exchange Commission thereunder, as the same are from time to time in effect, and in compliance with any and all other applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and

all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sales or dispositions, all at such Debtor's sole expense. Each Debtor further agrees that a breach of any of the covenants contained in this Section 14 will cause irreparable injury to the U.S. Collateral Agent and that the U.S. Collateral Agent has no adequate remedy at law in respect of such breach, and agrees that each and every covenant contained in this Section 14 shall be specifically enforceable against such Debtor, and each Debtor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants, except for a defense that no Default has occurred, that such Default has been cured or waived, that all of the Obligations have been paid in full or that the U.S. Collateral Agent has released the Pledged Shares.

15. Exercise of Rights. The U.S. Collateral Agent shall have the right in its sole discretion to determine which rights, security, liens, guarantees, security interests or remedies it shall retain, pursue, release, subordinate, modify or take any other action with respect to, without in any way modifying or affecting any of the other of them or any of the U.S. Collateral Agent's rights hereunder. Without limiting the generality of the foregoing, the U.S. Collateral Agent shall have complete and absolute discretion in determining which items of Collateral it will enforce its rights against, and it shall have no obligation to proceed ratably or in any other order against the Debtors' respective assets.

16. Waivers, Amendments, Required Notices. Each Debtor hereby waives notice of acceptance of this Agreement, notice of nonpayment of any Obligations or of any Receivables or of any instrument relating thereto, demand, presentment, protest and notice thereof with respect to any and all instruments, notice of Collateral received or delivered, or any other action taken in reliance hereon and all other demands and notices of any description, except such as are expressly provided for herein or which by applicable law may not be waived on the date hereof. No course of dealing between the U.S. Collateral Agent and any Debtor or any other Person, and no failure on the part of the U.S. Collateral Agent to exercise, and no delay in exercising, any right, power or remedy hereunder, shall operate as a waiver thereof or as a waiver of any Default, nor shall any single or partial exercise by the U.S. Collateral Agent of any right, power or remedy hereunder or with respect to the Obligations preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No amendment or modification of this Agreement nor any waiver of any provision of this Agreement or consent to any departure by any Debtor therefrom shall in any event be effective unless the same shall be in writing and signed by the U.S. Collateral Agent, and then any such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Debtor in any case shall, of itself, entitle such Debtor or any other Debtor to any other or further notice or demand in similar or other circumstances. If notice, whether before or after any Default has occurred, is required by law to be given by the U.S. Collateral Agent to any Debtor, such Debtor agrees that, unless otherwise specifically provided herein, ten (10) days' notice given in the manner provided below shall be reasonable notice.

17. Cumulative Rights and Remedies. This Agreement and the liens and security interests granted hereunder are in addition to and not in substitution for any other security interest or collateral now or hereafter held by or on behalf of the U.S. Collateral Agent to secure the Obligations and shall not operate as a merger of any contract debt or suspend the fulfillment

of or affect the rights, remedies or powers of the U.S. Collateral Agent in respect of the Obligations or any other security interests held by the U.S. Collateral Agent for the fulfillment thereof. The remedies herein provided are cumulative and not exclusive of any remedy provided by law.

18. Notices. All notices, requests, demands, instructions, directions and other communications provided for hereunder shall be in writing (which term shall include telecopied communications) and shall be mailed (by registered or certified mail, postage prepaid), telecopied or delivered to the applicable party at the address or telecopier number specified for such party on the signature pages of this Agreement or, as to any party, to such other address or telecopier number as such party shall specify by a notice in writing to the other parties hereto delivered in accordance with the provisions of this Section 18. Each notice, request, demand, instruction, direction or other communication provided for hereunder shall be deemed delivered (a) if by mail, five Business Days after being deposited in the mails, addressed to the applicable party at its address set forth above, (b) if by hand, when delivered to the applicable party at such address, and (c) if by telecopy, when sent to the applicable party at such telecopier number; provided that if the date of delivery by hand pursuant to clause (b) above or the date of transmission by telecopier pursuant to clause (c) above is not a Business Day, then delivery shall be deemed to have occurred on the next succeeding Business Day.

19. Costs and Expenses. (a) The Debtors agree jointly and severally to pay, on demand, whether or not any Default shall have occurred and regardless of whether or not any proceeding to enforce this Agreement or the Obligations shall have been commenced, all of the reasonable costs and expenses (including, without limitation, all reasonable fees and disbursements of legal counsel) incurred by the U.S. Collateral Agent in connection with (i) the preparation of this Agreement and any related financing statements and other instruments and documents, (ii) the enforcement of this Agreement and the security interests granted hereunder, (iii) any filings or recordings with respect to the security interests granted hereunder (including all filing and recording fees, stamp taxes, recording taxes and intangible property taxes), (iv) the care and preservation of the Collateral, (v) the sale or other disposition of, or other realization upon, the Collateral that is permitted under this Agreement, or (vi) the preparation of any requested amendments to this Agreement or waivers or consents in connection herewith. Any such costs and expenses so incurred by the U.S. Collateral Agent shall be secured hereby and be a part of the Obligations.

(b) If any lien or tax shall be claimed with respect to the Collateral which, in the opinion of the U.S. Collateral Agent, may possibly create a valid obligation having priority over the security interest granted to it herein, the U.S. Collateral Agent may in its sole discretion and without notice to any Debtor pay such taxes and/or the amount secured by such lien and the amount of such payment shall be charged to such Debtor's account and added to the Obligations secured hereby: provided, however, that the U.S. Collateral Agent shall not make such payment with respect to any lien or tax being properly contested.

(c) Upon any failure by any Debtor to perform any of its duties and obligations hereunder, the U.S. Collateral Agent may, but shall not be obligated to, perform any or all of such duties and obligations, and such Debtor shall pay to the U.S. Collateral Agent, forthwith

upon written demand therefor, an amount equal to the cash or out-of-pocket expense incurred by the U.S. Collateral Agent in so doing plus interest thereon, from the date such expense is incurred until it is paid in full at a rate per annum equal to the highest rate of interest payable by such Debtor from time to time on the Obligations.

20. Successors and Assigns. This Agreement shall be binding upon each Debtor and its respective successors and assigns and shall inure to the benefit of the U.S. Collateral Agent and the other Creditors and their successors, transferees and assigns. No Debtor may assign its rights or obligations hereunder or any portion thereof without the prior written consent of the U.S. Collateral Agent. Any Creditor may assign its rights and powers under this Agreement with all or any of the Obligations owing to it and, in the event of any such assignment, the assignee of such rights and powers, to the extent of such assignment, shall have the same rights and remedies hereunder, and shall be secured hereby to the same extent, as if it had been a Creditor on the date hereof.

21. Severability. If any part of this Agreement is contrary to, prohibited by or deemed invalid under the applicable laws or regulations of any jurisdiction, such provision shall, as to such jurisdiction, be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given full force and effect so far as possible, and any such prohibition or invalidity in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

22. No Assumption of Duties: Limitation on Liabilities: Preservation of Collateral. (a) Nothing herein contained shall be construed to constitute the U.S. Collateral Agent as any Debtor's agent for any purpose whatsoever except for the limited purposes of receiving proceeds of the Collateral as provided above. The U.S. Collateral Agent does not, by anything contained herein or in any assignment or otherwise, assume any Debtor's obligations under any Receivable or other Collateral or any contract or agreement relating thereto, and the U.S. Collateral Agent shall not be responsible in any way for any Debtor's performance of any of the terms and conditions thereof.

(b) Neither the U.S. Collateral Agent nor any of its directors, officers, employees or agents shall be liable to any Person for any action taken or omitted by the U.S. Collateral Agent or its officers, directors, employees or agents hereunder or with respect to any transaction contemplated by this Agreement, except for the U.S. Collateral Agent's or such officers', directors', employees' or agents' gross negligence or willful misconduct. Without limiting the generality of the foregoing, the U.S. Collateral Agent shall not be responsible or liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof unless due to the U.S. Collateral Agent's gross negligence or willful misconduct. The U.S. Collateral Agent shall not, under any circumstances or in any event whatsoever, have any liability for any error or omission or delay of any kind occurring in the settlement, collection or payment of any of the Receivables or any instrument received in payment thereof or for any damage resulting therefrom.

(c) The U.S. Collateral Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under the Uniform Commercial

Code or otherwise, shall be to deal with it in the same manner as the U.S. Collateral Agent deals with similar property for its own account. Neither the U.S. Collateral Agent nor any of its respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Debtor or otherwise.

23. Indemnification. The Debtors jointly and severally agree to pay, and to save the U.S. Collateral Agent harmless from, any and all liabilities, costs, expenses, losses or damages (including, without limitation, reasonable legal fees and expenses) which may be imposed on, incurred by or asserted against the U.S. Collateral Agent (i) with respect to, or resulting from, any delay in paying any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, any delay in complying with any requirement of law applicable to any of the Collateral or (iii) in connection with any investigation, litigation or other proceeding (whether or not the U.S. Collateral Agent is a party thereto) related to the entering into or performance of this Agreement or any of the transactions contemplated by this Agreement or the enforcement of any of the terms hereof. In any suit, proceeding or action brought by the U.S. Collateral Agent under or with respect to any Receivable, License or Contract for any sum owing thereunder, or to enforce any provisions of any Receivable, License or Contract, the Debtors will jointly and severally save, indemnify and keep the U.S. Collateral Agent harmless from and against any liabilities, costs, expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction or liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by any Debtor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from any Debtor. Notwithstanding the foregoing, no Debtor shall be liable for any of the foregoing to the extent that they arise from the gross negligence or willful misconduct of the U.S. Collateral Agent.

24. Survival; Termination.

(a) All covenants, agreements, representations and warranties made herein by any Debtor shall survive the execution and delivery of this Agreement and shall continue in full force and effect until the termination of any obligation on the part of any Creditor to extend credit to any Debtor under any Loan Document, the expiration or termination of any letters of credit issued thereunder, and the payment in full of all of the Obligations.

(b) This Agreement shall terminate when all of the other Loan Documents have terminated and all of the Obligations have been paid in full; provided, however, that this Agreement shall be reinstated if any payment in respect of the Obligations is rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be restored or returned by any Creditor for any reason, including without limitation by reason of the insolvency, bankruptcy or reorganization of any Debtor or any other Person.

25. **GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE**



LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS PRINCIPLES OF CONFLICTS OF LAW, OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

26. SUBMISSION TO JURISDICTION. (a) EACH DEBTOR HEREBY EXPRESSLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ALL FEDERAL AND STATE COURTS SITTING IN THE CITY OF NEW YORK, STATE OF NEW YORK IN CONNECTION WITH ANY ACTION, SUIT OR PROCEEDING RELATING TO THIS AGREEMENT, ANY INSTRUMENT OR DOCUMENT REFERRED TO HEREIN OR RELATED HERETO, OR ANY ITEM OF COLLATERAL, AND IN CONNECTION THEREWITH AGREES THAT ANY PROCESS OR NOTICE OF MOTION OR OTHER APPLICATION TO ANY OF SAID COURTS OR A JUDGE THEREOF MAY BE SERVED UPON SUCH DEBTOR WITHIN OR WITHOUT SUCH COURT'S JURISDICTION BY REGISTERED OR CERTIFIED MAIL, AT THE ADDRESS OF SUCH DEBTOR SPECIFIED IN SECTION 18 HEREOF (OR AT SUCH OTHER ADDRESS AS SUCH DEBTOR SHALL SPECIFY BY A PRIOR NOTICE IN WRITING TO THE U.S. COLLATERAL AGENT), PROVIDED A REASONABLE TIME FOR APPEARANCE IS ALLOWED.

(b) EACH DEBTOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY INSTRUMENT OR DOCUMENT REFERRED TO HEREIN OR RELATED HERETO BROUGHT IN ANY FEDERAL OR STATE COURT SITTING IN THE CITY OF NEW YORK, STATE OF NEW YORK AND HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) NOTWITHSTANDING THE FOREGOING, THE U.S. COLLATERAL AGENT OR ANY CREDITOR MAY SUE ANY DEBTOR IN ANY JURISDICTION WHERE SUCH DEBTOR OR ANY OF ITS ASSETS MAY BE FOUND AND MAY SERVE LEGAL PROCESS UPON ANY DEBTOR IN ANY OTHER MANNER PERMITTED BY LAW.

27. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT, ANY INSTRUMENT OR DOCUMENT REFERRED TO HEREIN OR RELATED HERETO, OR ANY ITEM OF COLLATERAL, AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

28. Execution in Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, all of which when taken together shall constitute but one and the same agreement. Delivery of an

executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

29. Additional Debtors. Pursuant to the Loan Documents, all future direct or indirect Subsidiaries of the Canadian Borrower are required to enter into this Agreement as Debtors when specified therein. Upon execution and delivery after the date hereof by the U.S. Collateral Agent and any such Subsidiary of a Supplement in the form of Exhibit C, such Subsidiary shall become a Debtor hereunder with the same force and effect as if originally named as a Debtor herein. The execution and delivery of any instrument adding an additional Debtor as a party to this Security Agreement shall not require the consent of any other Debtor hereunder. The rights and obligations of each Debtor hereunder shall remain in full force and effect notwithstanding the addition of any new Debtor as a party to this Agreement.


**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]  
[SIGNATURE PAGES TO FOLLOW]**

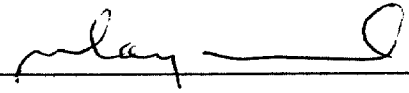
IN WITNESS WHEREOF, each Debtor has caused this Agreement to be duly executed and delivered by its duly authorized officer as of the date first above written.

Address:

2525, Canadien Street  
Drummondville (Quebec)  
CANADA J2C 7W2  
Attention: Vice-President Finance &  
Administration  
Telecopier: : (819) 478-4575

AMERIC DISC INC.

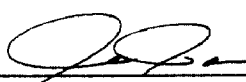
By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address:

c/o Americ Disc Inc.  
2525, Canadien Street  
Drummondville (Quebec)  
CANADA J2C 7W2  
Attention: Vice-President Finance &  
Administration  
Telecopier: : (819) 478-4575


AMERIC DISC U.S.A. – CALIFORNIA INC.

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address:

c/o Americ Disc Inc.  
2525, Canadien Street  
Drummondville (Quebec)  
CANADA J2C 7W2  
Attention: Vice-President Finance &  
Administration  
Telecopier: : (819) 478-4575


AMERIC DISC U.S.A. – DELAWARE INC.

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address:

c/o Americ Disc Inc.  
2525, Canadien Street  
Drummondville (Quebec)  
CANADA J2C 7W2

AMERIC DISC U.S.A. – FLORIDA INC.

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_


Attention: Vice-President Finance &  
Administration

Telecopier: : (819) 478-4575

Address:

AMERIC DISC U.S.A. – MINNESOTA INC.


c/o Americ Disc Inc.  
2525, Canadien Street  
Drummondville (Quebec)  
CANADA J2C 7W2  
Attention: Vice-President Finance &  
Administration  
Telecopier: : (819) 478-4575

By:   
Name:  
Title:

Address:


AMERIC DISC U.S.A. ENTERPRISES INC.

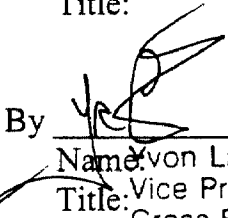
c/o Americ Disc Inc.  
2525, Canadien Street  
Drummondville (Quebec)  
CANADA J2C 7W2  
Attention: Vice-President Finance &  
Administration  
Telecopier: : (819) 478-4575

By:   
Name:  
Title:

Acknowledged and accepted:

NATIONAL BANK OF CANADA,  
NEW YORK BRANCH,  
as U.S. Collateral Agent

By   
Name: **Vincent Lima**  
Title: **Vice President**  
**Cross Border Finance Group**

By   
Name: **von LaPlante**  
Title: **Vice President and Manager**  
**Cross Border Financing Group**

SCHEDULE OF OFFICES

1. Address of Debtors' chief executive offices and principal places of business:

The Chief Executive Office for all Debtors is:

2525, Canadien Street  
Drummondville (Quebec)  
Canada J2C7W2

The Principal Place of Business of each Debtor is as follows:

Name of Debtor	Principal Place of Business
Disque Americ / Americ Disc Inc.	2525, Canadien Street Drummondville (Quebec) Canada J2C7W2
Americ Disc U.S.A – California Inc.	4701 Stoddard Rd. Salida, CA 95356
Americ Disc U.S.A.-Florida Inc.	8455 N.W. 30 <sup>th</sup> Terrace Miami, FL 33122
Americ Disc U.S.A.- Delaware Inc.	2525, Canadien Street Drummondville (Quebec) Canada J2C7W2
Americ Disc U.S.A.- Minnesota Inc.	8711-8729 Lyndale Avenue South Bloomington, MN 55420

Americ Disc U.S.A. Enterprises Inc.	2525, Canadien Street Drummondville (Quebec) Canada J2C7W2
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2. Addresses of all offices where the original books of account and records of the Debtors relating to the Receivables, Contracts, Leases, Intellectual Property, Investment Property and other Financial Assets are kept:

2525, Canadien Street  
Drummondville (-Quebec)  
Canada J2C7W2

SCHEDULE OF INVENTORY AND EQUIPMENT LOCATIONS

Name of Debtor	Inventory Location(s)
Disque Americ / Americ Disc Inc.	<p>2525 Canadien Street Dummondvile (Quebec) CANADA J2C 7W2</p> <p>8600-8612, Pie-IX Boulevard Montreal (Quebec) CANADA H1Z 4G2</p> <p>1247 Northgate Business Parkway Madison, TN 37115</p> <p>8711-8729 Lyndale Avenue South Bloomington, MN 55420</p> <p>4701 Stoddard Road Salida, California USA 95356</p> <p>2360 Pilot Knob Road Mendota Heights, MN 55120</p>
Americ Disc U.S.A – California Inc.	<p>4701 Stoddard Rd. Salida, CA 95356</p>
Americ Disc U.S.A.-Florida Inc.	<p>9360-70 N.W. 100 Street Medley, FL</p> <p>1684-86 N.W. 82<sup>nd</sup> Ave. Miami, FL</p> <p>8455 N.W. 30<sup>th</sup> Terrace Miami FL 33122</p>

Americ Disc U.S.A.- Delaware Inc.	
Americ Disc U.S.A.-Minnesota Inc.	8711-8729 Lyndale Avenue South Bloomington, MN 55420
Americ Disc U.S.A. Enterprises Inc.	



SCHEDULE OF PLEDGED SHARES

Name of Pledgor	Name of Issuer	Number of Shares	Class of Shares	Par Value of Shares	Stock Certificate No.
Americ Disc Inc.	Americ Disc U.S.A.- Delaware Inc.	1,000	Class A	\$0.01	2
Americ Disc Inc.	Americ Disc U.S.A.- Delaware Inc.	6,704	Class B	\$13 061.35	3
Americ Disc U.S.A. – Delaware Inc.	Americ Disc U.S.A.- Florida Inc.	1,000	Common	\$0.01	1
Americ Disc U.S.A. – Delaware Inc.	Americ Disc U.S.A.- California Inc.	100	Common	\$0.01	1
Americ Disc U.S.A. – Delaware Inc.	Americ Disc U.S.A.- Minnesota Inc.	1	Common	\$0.01	1
Americ Disc U.S.A. – Delaware Inc.	Americ Disc U.S.A. Enterprises Inc.	1,000	Common	\$0.01	1

SCHEDULE OF INTELLECTUAL PROPERTY

A. Patents: None

B. Patent Applications: None

C. Patent Licenses: None

D. Trademarks:

AMERIC DISC INC.

**Trade Marks: Registration Number**

CANADA

DISQUE AMERIC & Dessin	TMA443,664
DISQUE AMÉRIC	TMA442,838
AMERIC & DESIGN	TMA541,120

USA

AMERIC DISC & DESIGN	1,916,082
AMERIC & DESIGN	TMA2,424,795

**Trade Marks: Registration Demand Number**

MEXICO

AMERIC & Design	[application not filed]
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OTHER DEBTORS: None

E. Trademark Applications: None

F. Trademark Licenses: None

G. Copyrights: None

H. Copyright Applications: None

I. Copyright Licenses: None

J. Domain Names:

RSB-AMERIC.COM

RSBAMERIC.COM

AMERICDISCDIRECT.COM

CD-DVD-MANUFACTURE.COM

AMERICDISC.ORG

CDMANUFACTURE.COM

AMERICDISC.NET

DVDMANUFACTURE.COM

AMERICDISC.COM

AMERIDIRECT.COM

SCHEDULE OF FILING OFFICES

Name of Debtor	Filing Location
Americ Disc Inc.	<u>Canada</u> Province of Quebec  <u>District of Columbia</u> Secretary of State  <u>Minnesota</u> Secretary of State  <u>Tennessee</u> Secretary of State  <u>California</u> Secretary of State
Americ Disc U.S.A.-Minnesota Inc.	<u>Canada</u> Province of Quebec  <u>Minnesota</u> Secretary of State
Americ Disc U.S.A. - Delaware Inc.	<u>Canada</u> Province of Quebec  <u>Delaware</u> Secretary of State
Americ Disc U.S.A. - Florida Inc.	<u>Canada</u> Province of Quebec  <u>Florida</u> Secretary of State Dade County Clerk of Circuit Court

Americ Disc U.S.A. - California Inc.	<u>Canada</u> Province of Quebec  <u>California</u> Secretary of State Stanislaus County Recorder
Americ Disc U.S.A. Enterprises Inc.	<u>Canada</u> Province of Quebec  <u>Delaware</u> Secretary of State

SCHEDULE OF COMMERCIAL TORT CLAIMS

NONE

SCHEDULE OF DEPOSIT ACCOUNTS

SCHEDULE OF PERMITTED ENCUMBRANCES

Any lien or encumbrance on the assets of the Debtors permitted in the Canadian Credit Agreement or the U.S. Credit Agreement



FORM OF IRREVOCABLE PROXY

KNOW ALL MEN BY THESE PRESENTS that the undersigned does hereby make, constitute and appoint NATIONAL BANK OF CANADA, NEW YORK BRANCH, as U.S. Collateral Agent for the Creditors under the Security Agreement (as defined below), and each of the U.S. Collateral Agent's officers and employees, its true and lawful attorneys, for it and in its name, place and stead, to act as its proxy, at all times when a Default (as such term is defined in the Security Agreement referred to below) has occurred and is continuing, in respect of all of the shares of capital stock of \_\_\_\_\_, a \_\_\_\_\_ corporation, \_\_\_\_\_, a \_\_\_\_\_ corporation, \_\_\_\_\_, a \_\_\_\_\_ corporation, and \_\_\_\_\_, a \_\_\_\_\_ corporation (hereinafter referred to as the "Subsidiaries"), which it now or hereafter may own or hold, including, without limitation, the right, on its behalf, to demand the call by any proper officer of each of the Subsidiaries pursuant to the provisions of the respective certificates of incorporation or by-laws of each of the Subsidiaries and as permitted by law of a meeting of each of the Subsidiaries' respective shareholders and at any meeting of shareholders, annual, general or special, to vote for the transaction of any and all business that may come before such meeting, or at any adjournment thereof, including, without limitation, the right to vote for the sale of all or any part of the respective assets of each of the Subsidiaries and/or the liquidation and dissolution of each of the Subsidiaries; giving and granting to its said attorneys full power and authority to do and perform each and every act and thing, whether necessary or desirable to be done in and about the premises, as fully as it might or could do if personally present, with full power of substitution, appointment and revocation, hereby ratifying and confirming all that their respective attorneys shall do or cause to be done by virtue hereof.

This Irrevocable Proxy is given to the U.S. Collateral Agent and to its officers and employees in consideration of the transactions contemplated by, and in order to carry out the covenant of the undersigned contained in, a certain Security and Pledge Agreement of even date herewith among the undersigned, certain affiliates of the undersigned party thereto, and the U.S. Collateral Agent (as it may be amended, modified or supplemented from time to time, the "Security Agreement"), and this Proxy shall be irrevocable and coupled with an interest, and shall be effective and binding upon the undersigned and its successors and assigns until the termination of any obligation any Creditor may have to extend credit to any Debtor under or pursuant to any Loan Document (as such terms are defined in the Security Agreement), the expiration or termination of any letters of credit issued thereunder, and the payment in full of all of the Obligations (as defined in the Security Agreement) and may be exercised only after the occurrence and during the continuance of a Default (as defined in the Security Agreement).

This Irrevocable Proxy shall be subject to the terms and conditions of the Security Agreement.

IN WITNESS WHEREOF, the undersigned has caused this Irrevocable Proxy to be executed by its duly authorized officer as of this \_\_\_\_ day of \_\_\_\_\_, 2001.

AMERIC DISC U.S.A. – DELAWARE INC.

By: \_\_\_\_\_  
Name:  
Title:

SPECIAL POWER OF ATTORNEY

STATE OF NEW YORK     )  
  ) ss.:  
COUNTY OF NEW YORK )

KNOW ALL MEN BY THESE PRESENTS, THAT \_\_\_\_\_, a \_\_\_\_\_ corporation (the “Assignor”) hereby irrevocably appoints and constitutes National Bank of Canada, New York Branch (the “Assignee”), its true and lawful attorney, with full power of substitution, and with full power and authority to perform the following acts on behalf of the Assignor:

1. For the purpose of assigning, selling, licensing or otherwise disposing of all right, title and interest of the Assignor in and to any and all patents listed on Schedule A hereto (the “Patents”), any and all trademarks, trade names, trade styles and service marks listed in Schedule B hereto (the “Trademarks”), any and all copyrights listed in Schedule C hereto (the “Copyrights”), and all registrations, recordings, reissues, extensions and renewals of any of the foregoing, and all pending applications therefor, for the purpose of continuing, protecting and preserving the Patents, the Trademarks and the Copyrights, and for the purpose of the recording, registering and filing of, or accomplishing any other formality with respect to, the foregoing, (a) to execute on its own behalf and/or on the behalf and stead of the Assignor and deliver any and all agreements, documents, instruments of assignment or other papers necessary or advisable to effect such purpose and (b) to take such other actions with respect to the Patents, the Trademarks or the Copyrights as the Assignee deems in its best interest; and

2. To execute on its own behalf and/or on the behalf and stead of the Assignor any and all documents, statements, certificates or other papers necessary or advisable in order to effectuate any of the purposes described above as the Assignee may in its sole discretion determine.

The Assignor hereby ratifies all that the Assignee shall lawfully do or cause to be done under or by virtue of the powers of attorney granted herein and hereby releases the Assignee from any and all claims, causes of action and demands at any time arising out of or with respect to any actions taken or omitted to be taken by the Assignee under the powers of attorney granted herein, other than actions taken or omitted to be taken through the gross negligence or willful misconduct of the Assignee.

This power of attorney is made pursuant to a Security and Pledge Agreement dated as of the date hereof among the Assignor, certain affiliates of the Assignor party thereto, and the Assignee (the “Security Agreement”), takes effect and continues to be effective upon the

occurrence and during the continuance of a Default (as such term is defined therein), and is subject to the conditions thereof and may not be revoked until the termination of any obligation any Creditor may have to extend credit to any Debtor under or pursuant to any Loan Document (as such terms are defined in the Security Agreement), the expiration or termination of any letters of credit issued thereunder, and the payment in full of all of the Obligations (as defined therein).

Dated: \_\_\_\_\_, 2001

[ \_\_\_\_\_ ]

By: \_\_\_\_\_

Name:

Title:

[Second Signature required from Americ  
Disc Inc]

By: \_\_\_\_\_

Name:

Title:

STATE OF NEW YORK    )  
  ) ss.:  
COUNTY OF NEW YORK )

On this \_\_\_ day of \_\_\_\_\_, 2001, before me personally appeared \_\_\_\_\_, to me known, who, being by me duly sworn, did depose and say that he is the \_\_\_\_\_ of \_\_\_\_\_, the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was affixed pursuant to authority of the Board of Directors of said corporation, and that he signed his name thereto pursuant to such authority.

\_\_\_\_\_  
Notary Public



SCHEDULE OF PATENTS

NONE

SCHEDULE OF TRADEMARKS

AMERIC DISC INC.

**Trade Marks: Registration Number**

CANADA

DISQUE AMERIC & Dessin	TMA443,664
DISQUE AMÉRIC	TMA442,838
AMERIC & DESIGN	TMA541,120

USA

AMERIC DISC & DESIGN	1,916,082
AMERIC & DESIGN	TMA2,424,795

**Trade Marks:           Registration Demand Number**

MEXICO

AMERIC & Design	[application not filed]
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OTHER DEBTORS: None

SCHEDULE OF COPYRIGHTS

NONE



SUPPLEMENT NO. \_\_\_\_\_, dated as of \_\_\_\_\_, to the Security and Pledge Agreement dated as of \_\_\_\_\_, 2001 (as heretofore amended, restated supplemented or otherwise modified, the "**Security Agreement**"), among:

- (i) AMERIC DISC INC., a corporation constituted pursuant to the Canada Business Corporations Act ("**Borrower**");
- (ii) AMERIC DISC U.S.A. – CALIFORNIA INC., a corporation organized under the laws of the State of California ("**Americ Disc - California**");
- (iii) AMERIC DISC U.S.A. – FLORIDA INC., a corporation organized under the laws of the State of Florida ("**Americ Disc – Florida**");
- (iv) AMERIC DISC U.S.A. – DELAWARE INC., a corporation organized under the laws of the State of Delaware ("**Americ Disc - Delaware**");
- (v) AMERIC DISC U.S.A. – MINNESOTA INC., a corporation organized under the laws of the State of Delaware ("**Americ Disc - Minnesota**");
- (vi) AMERIC DISC U.S.A. ENTERPRISES INC., a corporation organized under the laws of the State of Delaware ("**Americ Disc Enterprises**");
- (vii) each other direct or indirect Subsidiary of the Canadian Borrower that may become a Debtor hereunder from time to time pursuant to Section 29 (each, a "**New Debtor**"); and
- (viii) NATIONAL BANK OF CANADA, NEW YORK BRANCH, as U.S. Collateral Agent (in such capacity, together with any successor thereto in such capacity, the "**U.S. Collateral Agent**" for National Bank of Canada, New York Branch, as Lender under the U.S. Credit Agreement referred to below (in such capacity, the "**U.S. Lender**"), the lenders party from time to time to the Canadian Credit Agreement referred to below (each, a "**Canadian Lender**" and collectively the "**Canadian Lenders**") and National Bank of Canada, as Agent under the Canadian Credit Agreement (in such capacity, the "**Canadian Agent**").

All capitalized terms that are defined in the Security Agreement and are not otherwise defined herein have the respective meanings assigned to them in the Security Agreement.

## RECITALS:

A. The Loan Documents require all of the direct or indirect subsidiaries of the Canadian Borrower (each, a “**Subsidiary**” and collectively the “**Subsidiaries**”) to become party to the Security Agreement immediately upon becoming a Subsidiary and execute and deliver to the U.S. Collateral Agent all other relevant security documents.

B. Section 29 of the Security Agreement provides that any Subsidiary may become a Debtor under the Security Agreement by execution and delivery of an instrument in the form of this Supplement.

C. The undersigned Subsidiary is executing this Supplement, in accordance with the requirements of the Loan Documents, to become a Debtor under the Security Agreement in order to induce the Creditors to continue to extend credit under the Loan Documents and as consideration for credit previously extended.

NOW THEREFORE, the undersigned Subsidiary agrees as follows for the benefit of the U.S. Collateral Agent and the other Creditors:

1. **Agreement to be Bound by the Security Agreement.**

In accordance with Section 29 of the Security Agreement, the undersigned Subsidiary by its signature below becomes a Debtor under the Security Agreement with the same force and effect as if originally named therein as a Debtor, and it hereby agrees to all the terms and provisions of the Security Agreement applicable to it as a Debtor thereunder. Each reference to a “Debtor” in the Security Agreement shall be deemed to include the undersigned Subsidiary. The Security Agreement is hereby incorporated herein by reference.

2. **Representations and Warranties.**

The undersigned Subsidiary represents and warrants to the U.S. Collateral Agent for the benefit of the Creditors that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

3. **Miscellaneous.**

(a) This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single agreement. This Supplement shall become effective when the U.S. Collateral Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the undersigned Subsidiary and the U.S. Collateral Agent.

(b) Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

(c) THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ITS PRINCIPLES OF CONFLICT OF LAWS, OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW.

(d) In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, no party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein and in the Security Agreement shall not in any way be affected or impaired.

(e) All communications and notices hereunder shall be in writing and shall be given as provided in the Security Agreement. All communications and notices hereunder to the undersigned Subsidiary shall be given to it at the address set forth next to its signature.

(f) The undersigned Subsidiary agrees to reimburse the U.S. Collateral Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the U.S. Collateral Agent.

IN WITNESS WHEREOF, the parties hereto have duly executed this Supplement to the Security Agreement as of the day and year first above written.

Address: [Name of Subsidiary]

\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Telecopier: \_\_\_\_\_

By: \_\_\_\_\_  
Name:  
Title:

NATIONAL BANK OF CANADA, NEW YORK  
BRANCH, as U.S. Collateral Agent

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title: