

07-27-1998

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RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- New
- Resubmission (Non-Recordation)
Document ID #
- Correction of PTO Error
Reel # Frame #
- Corrective Document
Reel # Frame #

Conveyance Type

- Assignment
- License
- Security Agreement
- Nunc Pro Tunc Assignment
- Merger
- Change of Name
- Other

Effective Date
Month Day Year
7 17 98

Conveying Party

Mark if additional names of conveying parties attached

Name

Execution Date
Month Day Year
7 17 98

Formerly

- Individual
- General Partnership
- Limited Partnership
- Corporation
- Association
- Other

Citizenship/State of Incorporation/Organization

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City State/Country Zip Code

- Individual
- General Partnership
- Limited Partnership
- Corporation
- Association
- Other

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

Citizenship/State of Incorporation/Organization

07/27/1998 TTON11 0000100 1705192

FOR OFFICE USE ONLY

01 FC:481 40.00 OP
02 FC:482 375.00 OP

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Domestic Representative Name and Address Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages Enter the total number of pages of the attached conveyance document including any attachments. #

Trademark Application Number(s) or Registration Number(s) Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)			Registration Number(s)		
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Number of Properties Enter the total number of properties involved. #

Fee Amount Fee Amount for Properties Listed (37 CFR 3.41): \$

Method of Payment: Enclosed Deposit Account

Deposit Account (Enter for payment by deposit account or if additional fees can be charged to the account.)
Deposit Account Number: #

Authorization to charge additional fees: Yes No

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. Charges to deposit account are authorized, as indicated herein.

Larra C. Waldmann 7/20/98

Name of Person Signing Signature Date Signed

**POOF PRODUCTS INC.
TRADEMARK FILINGS**

July 13, 1998

FILE NO.	TRADEMARK	SERIAL NO./ FILING DATE	REG. NO./ ISSUE DATE	STATUS
PTP-10119/01	POOF	74/211,510 10/9/91	1,705,192 8/4/92 1	ISSUED
PTP-10180/01	POOF (stylized)	74/211,509 10/9/91	1,705,191 8/4/92 2	ISSUED
PTP-10219/01	SORT A SHAPE	475,607 2/30/93	1,873,978 1/17/95 2	ISSUED
PTP-10419/01	TUB-O-SAURAS	74/426,908 8/20/93	1,836,940 1/17/94 4	ISSUED
PTP-10619/01	AQUA-BOMB	74/539,847 6/20/94	1,934,336 11/7/95 5	ISSUED
PTP-10719/01	SOFTRACERS	74/487,859 2/7/94	1,947,745 1/9/96 6	ISSUED
PTP-10819/01	POCKET PLANE	74/561,411 8/15/94	2,050,029 4/1/97 7	ISSUED
PTP-11119/01	TIC TOE	74/617,187 1/3/95	1,999,155 9/10/96 8	ISSUED
PTP-11319/01	BACKYARD KICKER	561,412 8/15/94	1,961,486 3/12/96 9	ISSUED
PTP-11419/01	PUZZLE PAL (stylized)	75/006,919 10/17/95	1,995,741 8/20/96 10	ISSUED
PTP-11719/01	CONNECT-O- FOAM	74/695,334 6/30/95	2,021,797 12/10/96 11	ISSUED
PTP-12319/01	RCL and Design	75/019,059 11/14/95	2,017,482 11/19/96 12	ISSUED
PTP-12719/01	FOAM FARM	75/006,923 10/17/95	2,015,313 11/12/96 13	ISSUED
PTP-00319/03	STRING-A-BEAD	235,103 1/6/92	1,795,965 9/28/93 14	ISSUED
PTP-01019/03	PREHISTORIC PALS	253,565 3/9/92	1,795,976 9/28/93 15	ISSUED
PTP-01219/03	RAINBOW PUZZLE PETS	253,564 3/9/92	1,802,842 11/2/93 16	ISSUED
PTP-03500/01	RAMROCKET			NOT FILED AS YET

SCHEDULE 1

U.S. Copyrights

U.S. Trademarks

U.S. Patents

U.S. Patent Applications

Foreign Patents and Applications

DET07/93338.1

SCHEDULE 1

**POOF PRODUCTS INC.
INTELLECTUAL PROPERTY**

July 13, 1998

FILE NO.	TITLE	SERIAL NO./ FILING DATE	REG. NO./ ISSUE DATE	STATUS
PTP-10119/01	TM-POOF	74/211,510 10/9/91	1,705,192 8/4/92	ISSUED
PTP-10134/01	SPAIN TM- POOF	1,730,999 11/19/92	1,730,999 9/6/93	ISSUED
PTP-10147/01	MEXICO TM- POOF	156,296 12/8/92	533,605 10/7/96	ISSUED
PTP-10180/01	TM-POOF (stylized)	74/211,509 10/9/91	1,705,191 8/4/92	ISSUED
PTP-10219/01	TM-SORT A SHAPE	475,607 2/30/93	1,873,978 1/17/95	ISSUED
PTP-10419/01	TUB-O- SAURAS	74/426,908 8/20/93	1,836,940 5/17/94	ISSUED
PTP-10619/01	TM-AQUA- BOMB	74/539,847 6/20/94	1,934,336 11/7/95	ISSUED
PTP-10719/01	TM- SOFTTRACERS	74/487,859 2/7/94	1,947,745 1/9/96	ISSUED
PTP-10819/01	TM-POCKET PLANE	74/561,411 8/15/94	2,050,029 4/1/97	ISSUED
PTP-11119/01	TM- TIC TOE	74/617,187 1/3/95	1,999,155 9/10/96	ISSUED
PTP-11319/01	TM- BACKYARD KICKER	561,412 8/15/94	1,961,486 3/12/96	ISSUED
PTP-11419/01	TM-PUZZLE PAL (stylized)	75/006,919 10/17/95	1,995,741 8/20/96	ISSUED
PTP-11719/01	TM- CONNECT-O- FOAM	74/695,334 6/30/95	2,021,797 12/10/96	ISSUED

FILE NO.	TITLE	SERIAL NO./ FILING DATE	REG. NO./ ISSUE DATE	STATUS
PTP-12319/01	TM-RCL and Design	75/019,059 11/14/95	2,017,482 11/19/96	ISSUED
PTP-12719/01	TM-FOAM FARM	75/006,923 10/17/95	2,015,314 11/12/96	ISSUED
PTP-14899/01	COPYRIGHT- TURBO SPIN COPIER			PENDING
PTP-00319/03	TM-STRING- A-BEAD	235,103 1/6/92	1,795,965 9/28/93	ISSUED
PTP-01019/03	TM- PREHISTORIC PALS	253,565 3/9/92	1,795,976 9/28/93	ISSUED
PTP-01219/03	TM-RAINBOW PUZZLE PETS	253,564 3/9/92	1,802,842 11/2/93	ISSUED
PTP-03500/01	TM- RAMROCKET			NOT FILED AS YET

**COLLATERAL ASSIGNMENT OF PROPRIETARY RIGHTS
AND SECURITY AGREEMENT**

This Collateral Assignment of Proprietary Rights and Security Agreement (this "Agreement"), is dated as of July 17, 1998 from Poof Products, Inc., a Michigan corporation with a principal business at 45400 Helm Street, Plymouth, Michigan 48170 (the "Company"), in favor of Midwest Mezzanine Fund II, L.P., a Delaware limited partnership with a place of business at 208 South LaSalle Street, Tenth Floor, Chicago, Illinois 60604, as collateral agent for Midwest Mezzanine Fund, II, L.P., a Delaware limited partnership ("Midwest") and Capital BIDCO, Inc., a Michigan corporation ("Capital") with a place of business at 5075 Cascade Road, S.E., Grand Rapids, Michigan 49546 (the "Secured Lender").

The Company has entered into a Note and Preferred Stock Purchase Agreement dated as of the date hereof with Midwest and Capital (the "Purchase Agreement"), pursuant to which Midwest and Capital have agreed, upon the terms and conditions set forth therein, to make certain loans available to the Company. As additional collateral for the loans under the Purchase Agreement, Midwest and Capital have requested and the Company has agreed to execute and deliver this Agreement to the Secured Lender.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. **Capitalized Terms.** All terms used herein with initial capital letters but not otherwise defined herein shall have the meanings specified in the Purchase Agreement.

2. **Collateral Assignment of Trademarks, Copyrights and Patents.** To secure the prompt payment and performance of all of the Company's present and future indebtedness and other obligations to the Secured Lender under the Purchase Agreement or otherwise, including obligations arising under any guarantees given by the Company in favor of the Secured Lender at any time previously or in the future (collectively, the "Obligations"), the Company hereby grants to the Secured Lender a continuing security interest in, and, subject to Section 4 hereof, shall assign, transfer and convey, to the Secured Lender all right, title and interest, in the United States and throughout the world, in, to and under the following (all of which are hereinafter collectively called the "Collateral") whether now existing or hereafter created or acquired, as to all of the above:

(a) all United States and foreign trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature, trademark registrations and applications for registration, now owned or hereafter acquired by the Company (including, without limitation, such of the foregoing listed on Schedule 1 attached hereto and made a part hereof) and all licenses thereof, together with the goodwill of the business connected with the use of, and symbolized by, the foregoing, and (i) the registration renewals thereof, (ii) all income, royalties, damages and payments now and hereafter due or payable under and with respect thereto including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof, (iii) the right to sue and recover for past, present and future infringements thereof, and (iv) all rights corresponding thereto throughout the world (all of the foregoing sometimes hereinafter individually or collectively referred to as the "Trademarks"):

(b) all United States and foreign copyrights, registered or unregistered, in and to all copyrightable works, now owned or hereafter acquired by the Company, including, without limitation, all registrations and applications therefor and all licenses thereof listed on Schedule 1 attached hereto and made a part hereof and (i) any renewals or extensions of the registrations therefor that may be secured under the laws now or hereafter in effect in the United States or any other country or countries, (ii) all income, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof, (iii) the right to sue and recover for past, present and future infringements thereof, and (iv) all rights corresponding thereto throughout the world (all of the foregoing sometimes individually or collectively referred to as the "Copyrights");

(c) all United States and foreign patents and patent applications, now owned or hereafter acquired by the Company, including, without limitation, the inventions and improvements described and claimed therein, and those patents and patent applications listed on Schedule 1 attached hereto and made a part hereof, all licenses thereof and (i) the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (ii) all income, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof, (iii) the right to sue and recover for past, present and future infringements thereof, and (iv) all rights corresponding thereto throughout the world (all of the foregoing being sometimes hereinafter individually or collectively referred to as the "Patents"); and

(d) all other intellectual property rights, now owned or hereafter acquired by the Company, including, without limitation, the intellectual property listed on Schedule 1 attached hereto and made a part hereof including, without limitation, trade secrets, know-how and confidential business information, computer software, computer programs, source code, data and documentation (including electronic media) and licenses thereof, and (i) all income, royalties, damages and payments now and hereafter due or payable under and with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof, (ii) the right to sue and recover for past, present and future infringements thereof, and (iii) all rights corresponding thereto throughout the world (individually or collectively referred to as "Intellectual Property Rights").

3. **Continuing Liability.** The Company hereby expressly agrees that, anything herein to the contrary notwithstanding, it shall remain liable under each license, interest and obligation assigned to the Secured Lender hereunder to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof. The Secured Lender shall have no obligation or liability under any such license, interest or obligation by reason of or arising out of this Agreement or the assignment thereof to the Secured Lender or the receipt by the Secured Lender of any payment relating to any such license, interest or obligation pursuant hereto, nor shall the Secured Lender be required or obligated in any manner to perform or fulfill any of the obligations of the Company thereunder or pursuant thereto, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any such license, interest or obligation, or to present or file any claim, or to take any action to collect or enforce any performance of the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

4. **Effect of Collateral Assignment and Remedies.** The Company agrees that upon the occurrence and during the continuance of a default, or an Event of Default (hereafter collectively referred to as an "Event of Default") under the Purchase Agreement, the Secured Lender, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Company or any other person (all and each of which demands, advertisements or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, or may forthwith sell, lease, assign, give option or options to purchase, or sell or otherwise dispose of and deliver said Collateral (or contract to do so), or any part thereof, in one or more public or private sale or sales, at any exchange, broker's board or at any of the Secured Lender's offices or elsewhere at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, and the Secured Lender shall apply the net proceeds (after expenses) of any such sale, lease, assignment or other disposition against the Obligations in such order as the Secured Lender in its sole discretion shall determine, the Company remaining liable for any deficiency therein. The Secured Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Company, which right or equity of redemption is hereby expressly waived and released. To the extent permitted by applicable law, the Company waives all the claims, damages and demand against the Secured Lender arising out of the repossession, retention or sale of the Collateral. The Company agrees that the Secured Lender need not give more than fifteen calendar days' notice of the time and place of any public sale or of the time after which a private sale may take place and that such notice is reasonable notification of such matter. The Company hereby authorizes the Secured Lender to make, constitute and appoint any officer or agent of the Secured Lender as the Secured Lender may select, in the Secured Lender's sole discretion, as the Company's true and lawful attorney-in-fact, with power (i) to endorse the Company's name on all applications, documents, papers and instruments necessary or desirable for the Secured Lender in the use of Collateral, (ii) to take any other actions with respect to the Collateral as the Secured Lender deems in the best interest of the Secured Lender, (iii) from and after the occurrence of an Event of Default, to grant or issue any exclusive or nonexclusive license under the Collateral to anyone, and (iv) from and after the occurrence of any Event of Default, to assign, pledge, convey or otherwise transfer title in or dispose of the Collateral to anyone. The Company hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue of this Agreement. This power of attorney is coupled with an interest and shall be irrevocable until all of the Obligations have been paid in full and all of the financing arrangements between the Company and the Secured Lender have been terminated and Secured Lender has no further obligation to make loans to the Company. The Company agrees that, in addition to all other rights and remedies granted to the Secured Lender in this Agreement, the Purchase Agreement and any other collateral security document, the Secured Lender shall be entitled to specific performance and injunctive and other equitable relief, and Company further agrees to waive any requirement for the securing or posting of any bond or other security in connection with the obtaining of any such specific performance and injunctive or other equitable relief.

5. **Grant of License to Use Intangibles.** In addition to and in no way limiting the effect of Section 4 hereof, for the purpose of enabling the Secured Lender to exercise rights and remedies under Section 4 hereof at such time as the Secured Lender, without regard to this Section 5, shall be lawfully entitled to exercise such rights and remedies, the Company shall permit the Secured Lender reasonable access to all media in which any of the Collateral may be recorded or stored and to all computer programs used for the compilation or printout thereof. In addition, during the continuance of an Event of Default, the Secured Lender and its assigns shall have a non-exclusive license throughout the world in all Trademarks, Patents, Copyrights, and Intellectual Property Rights for the manufacture, sale and

distribution of inventory or other goods of the Company and for the sale and use of any assets of the Company in which the Secured Lender has a security interest (whether now or in the future.)

6. **Representation and Warranties.** The Company represents and warrants that Schedule 1 contains a complete and correct list of all the trademark registrations and trademark applications, copyright registrations and copyright applications and patents and patent applications, respectively, if any, (i) owned by the Company or (ii) licensed to or by the Company (together with the terms of such licenses). The Company additionally represents and warrants, to the best of its knowledge, that there are no currently pending patent applications on which any agents or employees of Company are listed as an inventor. Except as set forth in Schedule 1, the Company owns free and clear of all liens all right, title and interest in, or has full right and authority to use, all Collateral necessary or desirable for the conduct of its business as currently conducted, as previously conducted or as currently proposed to be conducted. Except as set forth in Schedule 1, no claim by any other person or entity ("Person") contesting the validity or ownership of any Collateral has been made, is currently outstanding or is threatened and neither the Company nor any executive thereof has received any notice of, or is aware of any facts which would indicate a likelihood of, any infringement or misappropriation upon, or conflict with, any other Person's intellectual property. Except as set forth in the Schedule 1, none of the Collateral infringes or misappropriates upon, or conflicts with, any intellectual property of any Person, and no infringement, misappropriation or conflict will occur as a result of the continued operation of the business as now conducted or as currently proposed to be conducted. The transactions contemplated by this Agreement will have no adverse effect on the Company's rights in and to the Collateral. The Company has taken all action necessary or desirable to protect the Collateral and will continue to take such action prior to closing the transactions contemplated under the Purchase Agreement so as to not adversely affect the validity or enforcement of the Collateral. The Company further agrees that it will at its expense, at the Secured Lender's request, defend the Secured Lender's and the Company's respective interests in the Collateral from any and all claims and demands of any other person and that it will not grant, create or permit to exist any lien upon or security interest in the Collateral in favor of any other person except liens permitted by the Purchase Agreement; provided, however, that prior to the occurrence of an Event of Default and until the expiration of any applicable grace period, nothing contained in this Agreement shall affect the Company's right, upon receipt of the Secured Lender's prior written consent, to grant non-exclusive licenses to third parties to use any portion of the Collateral, subject to the rights of the Secured Lender hereunder.

7. **Restrictions on Future Agreements.** The Company agrees that until all of the Obligations have been satisfied in full and the Purchase Agreement has been terminated and the Secured Lender has no further obligation or agreement (whether or not discretionary on the Secured Lender's part) to make loans to the Company, it will not, without the Secured Lender's prior written consent, enter into any agreement, including, without limitation, any license agreement, which is materially inconsistent with the Company's obligations under this Agreement and the Company further agrees that it will not take any action or permit any action to be taken by others subject to its control, including licensees, or fail to take any action, which would materially affect the validity or enforcement of any of the rights transferred to the Secured Lender under this Agreement. Notwithstanding anything contained herein to the contrary, the Company may grant exclusive licenses on its intellectual property as it sees fit.

8. **Covenants Regarding Collateral.**

(a) The Company (either itself or through licensees) shall (i) continue to use each Trademark 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 each Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under each Trademark (iii) employ each Trademark, Copyright and Patent with the appropriate notice of application or registration on applicable products or services, (iv) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any Patent may become invalidated or unenforceable, any Trademark right may become abandoned or unenforceable, any Copyright right may become unenforceable, or any Intellectual Property Right may become unenforceable, (v) prosecute diligently any trademark application, copyright application or any patent application which is pending as of the date of this Agreement or thereafter, until the Obligations shall have been paid in full, (vi) make application on unpatented but patentable inventions, as appropriate, and (vii) preserve and maintain all rights in and to the Collateral.

(b) The Company shall notify the Secured Lender reasonably promptly if it knows, or has reason to know, that any application or registration relating to any of the Collateral may become abandoned or dedicated, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court) regarding the Company's ownership of any of the Collateral, its right to register the same, or to keep and maintain the same.

(c) The Company will take all necessary steps, including, without limitation, 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 and pursue each application (and to obtain the relevant registration) and to maintain each registration of the Collateral, including, without limitation, filing of applications for renewal, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings.

(d) In the event that any of the Collateral is infringed, misappropriated or diluted by a third party, the Company shall reasonably promptly notify the Secured Lender after it learns thereof and shall reasonably promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, or to take such other actions as the Company, with the Secured Lender's prior written consent, shall reasonably deem appropriate under the circumstances to protect such Collateral.

(e) At its option, the Secured Lender may discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, may place and pay for insurance on the Collateral upon failure by the Borrower to provide insurance satisfactory to the Secured Lender, and may pay for the maintenance, repair and preservation of the Collateral. Borrower agrees to reimburse the Secured Lender on demand for any payment reasonably made in any expense incurred by the Secured Lender pursuant to the foregoing authorization.

9. **Notice.** All notices or other communications hereunder shall be given in the manner and to the addresses determined under the Purchase Agreement, as it may be amended or restated from time to time.

10. **Severability.** Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11. **No Waiver; Cumulative Remedies.** The Secured Lender shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by the Secured Lender, and then only to the extent therein set forth. A waiver by the Secured Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Secured Lender would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of the Secured Lender any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other right, power or privilege. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law or any other agreements between the parties hereto.

12. **Waivers; Amendments.** None of the terms and provisions of this Agreement may be waived, altered, modified or amended except by an instrument in writing executed by the parties hereto.

13. **Limitations by Law.** All rights, remedies and powers provided by Sections 4 and 5 hereof may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of Sections 4 and 5 hereof are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Agreement invalid, unenforceable in whole or in part or not entitled to be recorded, registered or filed under the provisions of any applicable law.

14. **Right to Sue.** Upon the occurrence of an Event of Default, the Secured Lender shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce the Patents, Trademarks, Copyrights and Intellectual Property Rights and any licenses thereunder, and, if the Secured Lender shall commence any such suit, the Company shall, at the request of the Secured Lender, do any and all lawful acts and execute any and all proper documents required by the Secured Lender in aid of such enforcement and the Company shall promptly, upon demand, reimburse and indemnify the Secured Lender for all reasonable costs and expenses (including attorneys' fees) incurred by the Secured Lender in the exercise of its rights under this Section 14. Notwithstanding the foregoing, the Company shall have the right to assume control and settle any such litigation, so long as no Event of Default has occurred. The Secured Lender recognizes and agrees that, except in case of an Event of Default, the Secured Lender may not assert ownership of any of the Trademarks in litigation. The Company agrees that the Secured Lender, after the occurrence of an Event of Default, may assert an interest in the Trademarks sufficient to form the basis for a common law action for unfair competition and passing off or an action under the provision of Section 43(a) of the Trademark Act of 1946 (as amended) [15 U.S.C. Sec. 1125(a)] and the Company agrees that it shall join in any suit to enforce or defend rights in the Trademarks.

15. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and nothing herein or in the Purchase Agreement or any other collateral security document is intended or shall be construed to give any other person any right, remedy or claim under, to or in respect of this Agreement, the Purchase Agreement or any other collateral security document. This Agreement may be signed in separate counterparts.

16. **Termination and Reassignment.** The Secured Lender agrees that upon the termination or expiration of the Purchase Agreement and termination of any obligations of the Secured Lender to make loans to the Company and the payment and performance in full of all the Obligations, the Secured

Lender will execute documents releasing the security interests created hereby and reassign to the Company, without warranty, representation or guaranty of any nature or kind, the Secured Lender's interest in the Collateral.

17. **Applicable Law.** This Agreement shall be governed by, and be construed and interpreted in accordance with, the internal laws (and not the laws of conflict) of the State of Michigan.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first set forth above.

POOF PRODUCTS, INC., a Michigan corporation

By: _____

Raymo Dallavecchia, Jr.
Raymo Dallavecchia, Jr., President

MIDWEST MEZZANINE FUND II, L.P.,
a Delaware limited partnership,
AS COLLATERAL AGENT

By: ABN AMRO Mezzanine Management II, L.P.,
its general partner

By: ABN AMRO Mezzanine Management, II, Inc.,
its general partner

By: _____

David A. Gezon
David A. Gezon, President

Schedule 1 - Patents, Trademarks and Copyrights, etc.

