



9/4/98

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M-TM-11403 (104-50) TRADEMARKS RECORDATION COVER SHEET

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

1. Name of conveying party(ies):

Color Prelude Inc.
7600 Energy Parkway
Baltimore, MD 21226

Corporation - State of Delaware

Additional names(s) of conveying party(ies) attached? NO

2. Name and Address of receiving party(ies):

Household Commercial Financial
Services, Inc.
2700 Sanders road
Prospect Heights, Illinois 60070

Corporation - State of Delaware

If assignee is not domiciled in the United States, a
domestic representative designation is attached:
NO

(Designation must be a separate document from
Assignment)

Additional names(s) & address(es) attached? NO

3. Nature of conveyance:

Security Interest

Execution Date: May 16, 1994

4. A. Trademark Application No.(s)

B. Trademark Registration No.(s)

1,649,216

Additional numbers attached? NO

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

Charles P. LaPolla
OSTROLENK, FABER, GERB & SOFFEN, LLP
1180 Avenue of the Americas
New York, New York 10036-8403
(212) 382-0700

6. Total number of documents involved: 1

7. Total fee (37 CFR 3.41): \$ 40.00

Enclosed as part of Check No.
79216

In the event the actual fee is greater than the
payment submitted or is inadvertently not enclosed or
if any additional fee due is not paid, the Patent and
Trademark Office is authorized to charge the
underpayment to Deposit Account No. 15-0700.

DO NOT USE THIS SPACE

8. 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.

Charles P. LaPolla
Name of Person Signing

Signature

September 4, 1998
Date

Total number of pages including cover sheet, attachments, and document: 45

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RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

U.S. DEPARTMENT OF COMMERCE

Patent and Trademark Office

40.00/481

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



1. Name of conveying party(ies):
 Corp. (reluctant)

Individual(s) Association
 General Partnership Limited Partnership
 Corporation-State 03 DE
 Other _____

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

2. Name and address of receiving party(ies):

Name: Household Commercial Financial Services, Inc.
 Internal Address: _____
 Street Address: 2700 Sanders Road
 City: Prospect Heights State: Illinois ZIP: 60070

Individual(s) citizenship _____
 Association _____
 General Partnership _____
 Limited Partnership 03 DE
 Corporation-State Delaware
 Other _____

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

3. Nature of conveyance: UG

Assignment Merger
 Security Agreement Change of Name
 Other _____

Execution Date: June 1, 1994

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

A. Trademark Application No.(s):
 Additional numbers attached? Yes No

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

B. Trademark registration No.(s): 1,649,216b
 Additional numbers attached? Yes No

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

Name: Joseph F. Morrissey
 Internal Address: Mayer, Brown & Platt

City: Chicago State: Illinois ZIP: 60603

6. Total number of applications and registrations involved: 1

7. Total fee (37 CFR 3.41): \$40

Enclosed
 Authorized to be charged to deposit account

8. Deposit account number: 39156128
 (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.

Joseph F. Morrissey
 Name of Person Signing

Joseph F. Morrissey
 Signature

June 1, 1994
 Date

Total number of pages comprising cover sheet:

2 44 ML

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**SECURITY AGREEMENT,
FINANCING STATEMENT AND
CONDITIONAL ASSIGNMENT OF PATENTS,
TRADEMARKS AND COPYRIGHTS**

by and between

COLOR PRELUDE INC.

and

HOUSEHOLD COMMERCIAL FINANCIAL SERVICES, INC.

Dated as of May 16, 1994

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SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of May 16, 1994 (herein, as the same may at any time be amended or modified and in effect, called this "Agreement"), is by and between Color Prelude Inc., a Delaware corporation (herein called "Borrower"), and HOUSEHOLD COMMERCIAL FINANCIAL SERVICES, INC., a Delaware corporation, or any successors or assigns thereof (herein, together with its successors and assigns, called "Lender").

BACKGROUND:

1. Alford Industries, Inc., a New Jersey corporation ("Alford"), is a wholly-owned subsidiary of Kane, Inc., a Delaware corporation ("Kane, Inc."), which is a wholly-owned subsidiary of Kane Industries, Inc., a Delaware corporation ("Parent"). On March 18, 1994 (the "Petition Date"), Parent, Kane, Inc. and Alford each filed a bankruptcy petition in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") pursuant to Chapter 11 of the United States Bankruptcy Code.

2. Lender and Alford entered into a Secured Credit Agreement dated as of March 15, 1990 (as heretofore amended, the "Alford Credit Agreement"), whereby Lender agreed to provide certain financial accommodations to Alford.

3. On the date hereof, Borrower entered into that certain Asset Purchase Agreement (the "Purchase Agreement") with Alford whereby Borrower agreed to purchase (the "Purchase Transaction") all of the assets of Alford's Color Prelude Division relating to the manufacture and sale of single use printed cosmetic samples (the "Color Prelude Assets") in return for Borrower assuming \$20,000,000 of the indebtedness of Alford under the Alford Credit Agreement and all other "Liabilities" of Alford arising from the "Collateral Documents" (as each such capitalized term is defined in the Alford Credit Agreement) to the extent such Liabilities relate to the Color Prelude Assets (the "Assumed Alford Liabilities") with the Assumed Alford Liabilities to be governed by the terms of the Secured Credit Agreement (hereinafter defined). \$10,000,000 of the Assumed Alford Liabilities shall be continued as a loans under the Secured Credit Agreement and the remaining \$10,000,000 of the Assumed Alford Liabilities shall be converted into 10,000 shares of the Borrower's Preferred Stock.

4. To the extent of the \$10,000,000 of the Assumed Alford Liabilities to be continued as loans, Borrower and Lender have amended and restated the Alford Credit Agreement on the terms set forth in a certain Secured Credit Agreement, dated as of May 16,

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1994 (herein, as it may at any time be amended or modified from time to time and in effect, called the "Secured Credit Agreement"), pursuant to which Lender has agreed to make certain Loans (as defined in the Secured Credit Agreement regardless of whether the Secured Credit Agreement may be terminated at any relevant time) and other extensions of credit to Borrower, which Loans and extensions of credit include the Assumed Alford Indebtedness and certain other indebtedness.

5. As security for the financial accommodations to be made by Lender under the Secured Credit Agreement to, or for the account of, Borrower, Borrower has purchased the Color Prelude Assets from Alford subject to the lien of Lender granted by Alford in connection with the Alford Credit Agreement, which lien shall be evidenced in part by this Agreement.

6. It is a condition precedent to the making or continuing of the initial Loans under the Secured Credit Agreement that this Agreement be executed and delivered.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

SECTION 1. Definitions. (a) When used herein, the following terms shall have the following meanings:

Account shall mean any right of Borrower to payment for goods sold or leased or for services rendered which is not evidenced by an Instrument or Chattel Paper, whether or not it has been earned by performance.

Account Debtor shall mean the Person who is obligated on or under any Account, Chattel Paper or, if appropriate, any of the General Intangibles of Borrower.

Agent Bank shall mean any bank serving in the capacity of agent for Lender under the Bank Agency Agreement. The initial Agent Bank is Household Bank f.s.b.

Bank Agency Agreement shall mean that certain Bank Agency Agreement by and among Agent Bank, Borrower and Lender, dated as of the date hereof, as the same may be amended, modified or supplemented from time to time, or any substantially similar agreement entered into among a bank serving in the capacity as agent for Borrower and Lender, as the same may be amended, modified or supplemented from time to time.

Benefits - see Section 16.

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Certificated Security shall have the meaning assigned to such term in the Uniform Commercial Code.

Chattel Paper shall have the meaning assigned to such term in the Uniform Commercial Code.

Collateral shall mean all property or rights in which a Security Interest is granted hereunder.

Commitments shall mean, collectively, Lender's commitments to Borrower pursuant to the Secured Credit Agreement.

Computer Hardware and Software shall mean: (i) all computer and other electronic data processing hardware, integrated computer systems, central processing units, memory units, display terminals, printers, features, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories and all peripheral devices and other related computer hardware, whether now owned, licensed or leased or hereafter acquired by Borrower; (ii) all software programs (including both source code and object code), whether now owned, licensed or leased or hereafter acquired by Borrower, designed for use on the computers and electronic data processing hardware described in clause (i) above; (iii) all firmware associated therewith, whether now owned, licensed or leased or hereafter acquired by Borrower; and (iv) all documentation for such hardware, software and firmware described in the preceding clauses (i), (ii) and (iii), whether now owned, licensed or leased or hereafter acquired by Borrower.

Condemnation Award - see Section 16.

Copyright - see Section 2.

Default shall mean an Unmatured Event of Default or any Event of Default.

Document shall have the meaning assigned to such term in the Uniform Commercial Code.

Equipment shall mean all furniture, furnishings, fixtures, machinery and equipment of Borrower of every description used or useful in the conduct of Borrower's business, and all accessories, accessions, additions, attachments, substitutions, replacements, improvements, parts and other personal property now or hereafter affixed thereto or used in connection therewith.

Event of Default shall mean the occurrence of an Event of Default (as such term is defined in the Secured Credit Agreement).

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Fixture shall have the meaning assigned to such term in the Uniform Commercial Code as in effect from time to time in the State where such fixture is located.

General Intangibles shall have the meaning assigned to such term in the Uniform Commercial Code.

Goods shall have the meaning assigned to such term in the Uniform Commercial Code.

Instrument shall have the meaning assigned to such term in the Uniform Commercial Code.

Intangible Collateral shall mean all Collateral other than Goods and the Collateral described in clause (i) of the definition of Computer Hardware and Software.

Intellectual Property shall mean collectively, Copyrights, Patents and Trademarks.

Inventory shall mean goods, merchandise and other personal property furnished under any contract of service or intended for sale or lease, including, without limitation, all raw materials, work in process, finished goods and materials and supplies, of any kind, nature or description, that are used or consumed by Borrower's business, or are or might be used in connection with the manufacture, packing, shipping, advertising, selling or finishing of such goods, merchandise and other personal property and all returned or repossessed goods now or at any time or times hereafter in the possession or under the control of Borrower or Lender.

Liabilities shall mean: (i) all obligations to Lender and its successors and assigns of Borrower or any of its Subsidiaries under or in connection with the Secured Credit Agreement, any Note or any other Related Document (including, without limitation, any Reimbursement Obligations), (ii) all other obligations of Borrower or any of its Subsidiaries to Lender, in each case howsoever created, arising or evidenced, whether direct or indirect, joint or several, absolute or contingent, or now or hereafter existing, or due or to become due, and whether or not arising out of or in connection with the Secured Credit Agreement, any Note or any of the other Related Documents, and (iii) all other obligations of Borrower or any of its Subsidiaries to Lender and its successors and assigns in connection with the Related Transactions.

Loan shall mean any loan made from time to time under the Secured Credit Agreement.

Master Account shall mean the account maintained in Borrower's name at Agent Bank, of which Agent Bank is agent and pledgee-in-possession for Lender, which account is the "Master Account" referred to in Section 6.1 of the Secured Credit Agreement.

Notes shall mean any and all promissory notes of Borrower evidencing any Loan or advance made by Lender to Borrower, and any promissory notes taken in extension or renewal of any thereof or in replacement therefor.

Operating Account shall mean account No. 8420026771 maintained in Borrower's name at Agent Bank, of which Agent Bank is agent and pledgee-in-possession for Lender, which account is the "Operating Account" referred to in Section 6.1 of the Secured Credit Agreement.

Patents - see Section 2.

Permitted Liens shall mean the Security Interests permitted to exist by Section 11B.20 of the Secured Credit Agreement.

Person shall mean any natural person, corporation, firm, association, government, governmental agency or any other entity, whether acting in an individual fiduciary or other capacity.

Security shall have the meaning assigned to such term in the Uniform Commercial Code.

Security Interest shall, when used with respect to any Person, mean any interest in any personal property, asset or other right owned or being purchased or acquired by such Person for its own use, consumption or enjoyment in its business which secures payment or performance of any obligation and shall include any lien, pledge, encumbrance, charge or other security interest of any kind, whether arising under a security agreement, chattel mortgage, assignment, pledge, financing or similar statement or notice or as a matter of law, judicial process or otherwise.

Trademarks - see Section 2.

Uncertificated Security shall have the meaning assigned to such term in the Uniform Commercial Code.

Uniform Commercial Code shall mean the Uniform Commercial Code as in effect in the State of Maryland on the date of this Agreement.

Unmatured Event of Default shall mean any event which, with the passage of time or giving of notice, or both, will become an Event of Default.

Waiver Agreement shall mean a declaration and agreement substantially in the form of Exhibit A hereto (and in form and substance satisfactory to Lender) executed and delivered by the appropriate Persons pursuant to Section 4(d).

(b) Unless otherwise defined herein, terms defined in the Secured Credit Agreement shall have the same meaning when used herein notwithstanding any termination thereof. Terms not otherwise defined herein or in the Secured Credit Agreement shall have the meanings, if any, ascribed to them under the Uniform Commercial Code, as it may be in effect in the State of Maryland.

SECTION 2. Grant of Security Interest. As collateral security for the prompt and complete payment and performance of all Liabilities, Borrower hereby mortgages, pledges and assigns to Lender, and grants to Lender a continuing Security Interest in all personal property of Borrower wherever located, whether now or hereafter existing, owned, licensed, leased, consigned, arising or acquired, including, without limitation, all of Borrower's:

- (i) Accounts;
- (ii) Goods (including, without limitation, all of Borrower's Equipment, Fixtures and Inventory);
- (iii) General Intangibles, including, without limitation,
 - (A) All tax refunds,
 - (B) All foreign and United States (including, without limitation, each individual state thereof) trademarks and trademark registrations, tradenames and tradename registrations and service marks and service mark registrations and applications therefor now or hereafter owned by Borrower, including, without limitation, those listed on Schedule I hereto, and all of the goodwill of the business connected with the use of, and symbolized by, each trademark and trademark registration, tradename and tradename registration, service mark and service mark registration and applications therefor and all continuations and extensions thereof, the right to sue for past, present, and future infringements or dilutions thereof or for injury to the goodwill

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associated therewith, all rights corresponding thereto throughout the world, and all proceeds of the foregoing, including, without limitation, licenses, royalties and proceeds of suit (all of the foregoing being collectively herein called the "Trademarks"),

- (C) All foreign and United States patents and applications for patents, including, without limitation, those listed on Schedule II hereto, and any and all, and all applications for, reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, the right to sue for past, present and future infringements thereof, all rights corresponding thereto through the world, and all proceeds of the foregoing, including, without limitation, license royalties and proceeds of infringement suits (all of the foregoing being collectively herein called the "Patents"),
- (D) All copyrights, registered or unregistered, statutory or common law, now or hereafter in force throughout the world, and all applications for registration thereof, the right to sue for past, present and future infringements thereof, all rights corresponding thereto throughout the world, and all proceeds of the foregoing, including, without limitation, license royalties and proceeds of suit (all of the foregoing being collectively herein called the "Copyrights"), including, without limitation, all of Borrower's right, title and interest in and to all Copyrights registered in the United States Copyright Office, and also including, without limitation, the Copyrights listed on Schedule V hereto,
- (E) Rights arising from time to time to receive payment under a billing to a Person representing such Person's obligation to reimburse Borrower for indebtedness paid or to be paid by Borrower for such Person's account, and
- (F) Rights arising out of leases, licenses and contracts which are not Accounts;
- (iv) Chattel Paper, Documents, Instruments, Certificated Securities and Uncertificated Securities;

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- (v) Money and personal property now or at any time in the possession or under the control of, or in transit to, Lender or Agent Bank, Borrower or any bailee, agent or custodian of Lender or Agent Bank or Borrower;
- (vi) Right, title and interest (if any) in and to the Master Account, the Operating Account, all other accounts of Borrower maintained by Agent Bank and any other accounts maintained by Borrower, all funds on deposit therein, all investments arising out of such funds, all claims thereunder or in connection therewith, and all cash, securities, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of such accounts, such funds or such investments;
- (vii) Computer Hardware and Software and all rights with respect thereto, including, without limitation, any and all Copyrights, licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications and any substitutions, replacements, additions or model conversions of any of the foregoing;
- (viii) Insurance policies, including claims or rights to payment thereunder; and
- (ix) Liens, guaranties and other rights and privileges pertaining to any of the Collateral;

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together with: (x) all books, ledgers, books of account, records, writings, data bases, information and other property relating to, used or useful in connection with, evidencing, embodying, incorporating or referring to, any of the foregoing; and (y) all proceeds, products, rents, issues, profits and returns of and from any of the foregoing.

In addition to, and not by way of limitation of, the grant of a Security Interest in Intellectual Property set forth above, Borrower hereby, effective upon the occurrence of an Event of Default and upon the written demand of Lender, assigns, grants, sells, conveys, transfers title to and sets over to Lender all of Borrower's right, title and interest, whether now or hereafter existing or acquired, in and to the Intellectual Property (including, with regard to Trademarks, the goodwill associated therewith).

SECTION 3. Borrower to Remain Liable. Borrower hereby expressly agrees that, anything herein to the contrary notwithstanding, it shall remain liable under each contract, agreement, interest or obligation assigned to Lender hereunder to observe and perform all of the conditions and obligations to be observed and performed by Borrower thereunder, all in accordance with and pursuant to the terms and provisions thereof. The exercise by Lender of any of the rights assigned hereunder shall not release Borrower from any of its duties or obligations under any such contract, agreement, interest or obligation. Lender shall not have any duty, responsibility, obligation or liability under any such contract, agreement, interest or obligation by reason of or arising out of the assignment thereof to Lender or the granting to Lender of a Security Interest therein or the receipt by Lender of any payment relating to any such contract, agreement, interest or obligation pursuant hereto, nor shall Lender be required or obligated in any manner to perform or fulfill any of the obligations of Borrower thereunder or pursuant thereto, or to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it or the sufficiency of any performance of any party under any such contract, agreement, interest or obligation, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it, in which it may have been granted a Security Interest or to which it may be entitled at any time or times.

SECTION 4. Representations and Warranties and Agreements. Borrower represents and warrants to, and covenants and agrees with, Lender that:

(a) No Uniform Commercial Code financing statement (other than any which may have been filed on behalf of Lender or in connection with a Permitted Lien or which has been, or in connection with execution and delivery hereof is being, terminated) which names Borrower as a debtor or lessee or which covers any of the Collateral is on file in any public office.

(b) Borrower has and will have a valid leasehold interest in all Collateral it leases, and, except as otherwise noted in Schedule XIII of the Secured Credit Agreement, good and marketable title to all its other Collateral, real and personal, of any nature whatsoever (which, with respect to the licenses, means that Borrower is the lawful owner of its rights under the licenses, except as provided in Section 10.14 of the Secured Credit Agreement), free of all Security Interests whatsoever, other than the Security Interest created hereby and the Permitted Liens, with full power and authority to execute this Agreement, to perform Borrower's obligations hereunder, and to subject the Collateral to the provisions of Section 2 hereof.

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(c) All of Borrower's books and records are now located at one or more of the premises shown on Schedule III hereto, and all of Borrower's Equipment, Inventory and other Goods are located either at one or more of the premises shown on Schedule III hereto or at one or more of the premises shown on Schedule IV hereto except for Inventory and other Goods in transit in the ordinary course of business to or from one or more of such locations or Inventory and other Goods having an aggregate value not in excess of \$200,000.

(d) To the extent that any of the premises shown on Schedule III hereto are owned by and/or subject to a lien or mortgage in favor of any Person other than Borrower, Borrower will provide Lender with a Waiver Agreement or a Statement and Agreement of Landlord Respecting Lease, in form and substance satisfactory to Lender, executed by such Person; it being understood, however, that upon Borrower's reasonable request, Lender's consent to waiver of this provision with respect to real estate leases entered into after the date of this Agreement shall not be unreasonably withheld.

(e) All information with respect to the Collateral and the Account Debtors set forth in any schedule, certificate, or other writing at any time heretofore or hereafter furnished by Borrower to Lender, and all other written information heretofore or hereafter furnished by Borrower to Lender, is and will be true, correct and complete in all material respects as of the date furnished and does not and will not omit any material fact necessary to make the statements not misleading.

(f) Borrower will at all times maintain its chief executive office at the location identified in Schedule III hereto unless pursuant to Section 6(i) hereof, it provides Lender with at least thirty days notice of any change in location (in which case Lender will revise Schedule III to reflect such change); provided, however, that the proposed new location must be in the contiguous continental United States (other than the State of Tennessee). Borrower shall take such action from time to time as is required so that a creditor of Borrower would reasonably expect the chief executive office identified on Schedule III or such revised Schedule III to be its chief executive office for purposes of Article 9 of the Uniform Commercial Code.

(g) With respect to any Intellectual Property the loss, impairment or infringement of which might have a materially adverse effect on the financial condition, business, assets, operations or prospects of Borrower to perform its obligations under this Agreement, the Secured Credit Agreement or any other Related Document: (i) to Borrower's knowledge, each of such Patents, Trademarks and Copyrights is subsisting and has not been adjudged invalid or unenforceable, in whole or in part; (ii) to

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Borrower's knowledge, each of such Patents, Trademarks and Copyrights is valid and enforceable and, in the case of such Patents, upon an Event of Default and upon request of Lender, Borrower will notify Lender in writing of all prior uses (including public uses and sales) of which it is aware; (iii) to Borrower's knowledge, Borrower is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of such Patents, Trademarks and Copyrights, free and clear of any liens, charges and encumbrances, including, without limitation, licenses, shop rights and covenants by Borrower not to sue third Persons, and to Borrower's knowledge no claim has been made that the use of any Intellectual Property does or may violate the asserted rights of any third Person; (iv) Borrower has the unqualified right to enter into this Agreement and perform its terms; and (v) no litigation is pending against Borrower or, to the best knowledge of Borrower, threatened against Borrower which asserts the invalidity of any of such Patents, Trademarks and Copyrights.

(h) To the best of Borrower's knowledge, no Collateral has, within the four (4) months preceding the date of this Agreement, been located at any place other than Borrower's own premises at the address shown on the signature page hereto or at one or more of the premises listed on Schedules III and IV hereto except for Inventory and other Goods in transit in the ordinary course of business to or from one or more of such locations.

SECTION 5. Processing, Sale, Collections, etc.

(a) Until notice from Lender to the contrary, given at any time after the occurrence and during continuance of any Event of Default, Borrower (i) may, in the ordinary course of its business, at its own expense, sell, lease or furnish under contracts of service any of the Inventory normally held by Borrower for such purpose, and use and consume, in the ordinary course of its business, any raw materials, work in process or materials normally held by Borrower for such purpose (but no such sale or use shall limit or impair Lender's Security Interest in any proceeds thereof, including, without limitation, any Account), (ii) will, at its own expense, endeavor to collect, as and when due, all amounts due with respect to any of the Intangible Collateral, including the taking of such action with respect to such collection as Lender may reasonably request or, in the absence of such request, as Borrower may deem advisable, and (iii) may grant, until such time as Lender shall notify it of the revocation of such power and authority, in the ordinary course of business, to any Person obligated on any of the Intangible Collateral, any rebate, refund or allowance to which such Person may be lawfully entitled, and may accept, in connection therewith, the return of goods, the sale or lease of which shall have given rise to such Intangible Collateral.

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Lender, however, may at any time, whether before or after the maturity of any of the Liabilities, so long as an Event of Default shall have occurred and be continuing: (1) notify any Person obligated on any of the Intangible Collateral to make payment to Lender of any amounts due or to become due thereunder; (2) enforce collection of any of the Intangible Collateral by suit or otherwise to the extent applicable; (3) surrender, release or exchange all or any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder or evidenced thereby; and (4) notify Borrower (and upon receipt of such notice Borrower agrees to notify, at its sole expense, any parties obligated on any of the Collateral) to make payment to Lender of any amount due or to become due under the Collateral.

(b) If and to the extent that a perfected Security Interest hereunder in any Collateral shall cease to be perfected for any reason whatsoever (including, without limitation, sale of Inventory or release of all or any balance in the Master Account or any other account of Borrower or use or disposition by Borrower of any proceeds of Collateral), then such Collateral (referred to in this paragraph as "released Collateral") shall be deemed thereby released from the Security Interest hereunder in exchange, as of the time of such release, for any other Collateral of equivalent value in which a perfected Security Interest is being obtained contemporaneously or has been most recently obtained hereunder, but only to the extent such other Collateral does not represent either (x) Collateral in exchange for which any previously released Collateral shall have been deemed released, or (y) Collateral of equivalent value to any loan or advance (otherwise than by renewal or extension) from Lender to Borrower in which Collateral a perfected Security Interest hereunder shall have been obtained contemporaneously with or most recently prior to such loan or advance.

(c) Borrower will, forthwith upon receipt, transit and deliver to Lender or Agent Bank, as its agent under the Bank Agency Agreement, in the form received, all cash, checks, drafts and other instruments or writings for the payment of money (properly endorsed, where required, so that such items may be collected by Lender or Agent Bank) which may be received by Borrower at any time in full or partial payment or other proceeds of any Collateral. Except as Lender may otherwise consent in writing, any such items which may be so received by Borrower will not be commingled by Borrower with any of its other funds or property, but, until delivery to Lender or Agent Bank, will be held separate and apart from such other funds and property and in trust for Lender or Agent Bank.

(d) Lender or Agent Bank is authorized to endorse, in the name of Borrower, any item, howsoever received by Lender or Agent

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Bank, representing any payment on or other proceeds of any of the Collateral.

SECTION 6. Agreements of Borrower. Borrower will:

(a) Keep all its Inventory and other Goods, unless Lender shall otherwise consent in writing, at one or more of its own premises (as shown on Schedule III hereto) or at one or more of the premises listed on Schedule IV hereto, except for Inventory and other Goods in transit in the ordinary course of business to or from one or more of such locations set forth on Schedules III and IV; provided, however, that (i) so long as no Event of Default shall have occurred and be continuing, Borrower may designate additional premises (such premises shall be located in the contiguous continental United States other than in the State of Tennessee) for inclusion on Schedule IV hereto upon 30 days' advance written notice to Lender and (ii) in the case of the premises listed on Schedule IV hereto from time to time, Borrower's Inventory and other Goods shall be kept separate from the Inventory and other Goods of those Persons (other than Borrower) using such premises, in accordance with Borrower's normal business practices, and shall be clearly and conspicuously designated as being Borrower's sole property (for example, by posting signs or by affixing Borrower's name on its Inventory and other Goods).

(b) Immediately notify Lender of (i) the occurrence of any event causing loss (not covered by insurance) of any of Borrower's Goods in excess, in the aggregate during any of Borrower's fiscal years, of \$200,000, and (ii) the amount of any such loss or depreciation.

(c) Furnish Lender such information concerning Borrower, its Subsidiaries, the Collateral and the Account Debtors as Lender may from time to time reasonably request.

(d) Defend in a commercially reasonable manner Borrower's title to the Collateral against all Persons and against all claims and demands whatsoever.

(e) Do all acts reasonably necessary (in the case of Intellectual Property, in accordance with the requirements of Section 13 hereof) to maintain, preserve and protect all Collateral, keep all Collateral in good condition and repair, and prevent any waste or unusual or unreasonable depreciation thereof.

(f) Permit Lender and designees of Lender, from time to time, to inspect at reasonable times the Inventory and Equipment, and to, at reasonable times, inspect, audit and, at Borrower's expense, make copies of and extracts from all records and all

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other papers in the possession of Borrower and will, upon request of Lender, deliver to Lender all of such records and papers which pertain to the Collateral and the Account Debtors.

(g) Upon request of Lender, stamp on its records concerning the Collateral (and/or enter into its computer records concerning the Collateral), a notation, in form satisfactory to Lender, of the Security Interest created hereby.

(h) Except as provided in Section 6(m) and except for the sale or lease of Inventory or the sale or assignment with or without recourse of any receivables in the ordinary course of business, not sell, lease, assign, license, sublicense, abandon or otherwise dispose of, or create or permit to exist any Security Interest (other than any Permitted Lien) on any Collateral to or in favor of anyone other than Lender; provided, however, that Borrower from time to time in the ordinary course of its business may sell or otherwise dispose of obsolete Equipment and may trade in obsolete or redundant equipment for comparable new equipment if and so long as Lender has a valid first perfected security interest in such comparable new equipment.

(i) At all times keep all Inventory and Equipment insured against loss, damage, theft and other risks in the manner required by Section 11A.4 of the Secured Credit Agreement (whether or not the Secured Credit Agreement shall be in effect) and, if Lender so requests, deposit with Lender originals or certified copies of the relevant policies and certificates of insurance.

(j) Furnish to Lender, in accordance with Section 9.4 of the Secured Credit Agreement (whether or not the Secured Credit Agreement shall be in effect), notice in writing as soon as practicable and in any event not later than 30 days prior to the occurrence from time to time of (i) any change in the locations of any part of the Collateral from the locations shown in Schedules III and IV hereto or such other location or locations to which such part of the Collateral shall have been moved in accordance with the Secured Credit Agreement, provided, however, that no notice need be given with respect to Collateral in transit in the ordinary course of business to or from one or more of such locations or with respect to Collateral having an aggregate value of less than \$200,000, (ii) any change in the location of Borrower's chief executive office, and (iii) any change in the name of Borrower or the name under or by which it conducts its business, each of such notices also to contain evidence that Borrower has taken all action required or reasonably desirable to maintain and preserve the Security Interest in favor of Lender on the Collateral, free and clear of

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any other Security Interest or encumbrance whatsoever except for Permitted Liens.

(k) Reimburse Lender for all reasonable expenses, including reasonable attorneys' fees and legal expenses and expenses of any repairs to realty or other property to which any Collateral may be affixed or be a part, incurred by Lender in seeking to collect or enforce any rights under or with respect to the Collateral, in seeking to collect the Notes and all other Liabilities, and in enforcing its rights hereunder, together with interest thereon from the date incurred until reimbursed by Borrower at a rate per annum equal to the Default Rate.

(l) Not sell, assign or license to any third party any of its right, title or interest in any of the Intellectual Property and related General Intangibles, other than in Borrower's ordinary course of business.

(m) Unless Lender shall otherwise agree in writing, (i) continue to use each Trademark on each and every product and service with which it is associated (as reflected in its 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 the quality of products and services offered under each Trademark, (iii) employ each Trademark with the appropriate notice of trademark status or trademark registration, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of any Trademark, (v) not use any Trademark for which any application for registration has been made except for the uses for which registration or the application for registration of such Trademark has been made, and (vi) not (and not permit any other Person to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated.

(n) At its sole expense from time to time, (i) without any request by Lender, promptly deliver or cause to be delivered to Lender, in due form for transfer (i.e., endorsed in blank or accompanied by duly executed undated blank stock or bond powers), all Securities, Chattel Paper, Instruments and Documents, if any, at any time representing all or any of the Collateral, (ii) upon request of Lender cause Lender's Security Interest hereunder and under the other Collateral Documents to be at all times duly noted on any certificate of title issuable with respect to any of the Collateral and forthwith deliver or cause to be delivered to the Lender each such certificate of title, and (iii) execute and deliver, or cause to be executed and delivered, to Lender, in due form for filing or recording (and pay the cost of filing or recording the same in all public offices deemed necessary or reasonably advisable by Lender) such assignments (including, without limitation, assignments of life insurance), security agreements, mortgages, deeds of trust, pledge agreements,

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consents, waivers, financing statements, stock or bond powers, and other documents, and do such other acts and things, all as may from time to time be necessary or desirable to establish and maintain to the reasonable satisfaction of Lender a valid perfected lien on and Security Interest in all assets of Borrower now or hereafter existing or acquired (free of all other liens, claims and rights of third parties whatsoever other than Permitted Liens) to secure payment and performance of the Liabilities.

(o) At Lender's request after the occurrence and during the continuance of an Event of Default, transfer all or any part of the Collateral (including, with respect to any Trademarks, the goodwill associated therewith and assets relating to the products sold under the Trademarks) into the name of Lender or its nominee, with or without disclosing that such Collateral is subject to the Security Interest hereunder.

(p) At all times comply with the requirements of the Fair Labor Standards Act, and any rules or regulations promulgated pursuant thereto, the non-compliance with which, as Lender determines in its sole discretion, might materially and adversely affect the aggregate value of the Collateral or the aggregate worth of the Collateral as collateral security.

SECTION 7. Renewals, Amendments and Other Security; Partial Releases.

(a) Lender may from time to time, whether before or after any of the Liabilities shall become due and payable, without notice to Borrower, take any or all of the following actions:

- (i) retain or obtain a Security Interest in any personal property to secure payment and performance of any of the Liabilities;
- (ii) retain or obtain the primary or secondary liability of any Person, in addition to Borrower, with respect to any of the Liabilities;
- (iii) create (pursuant to or as permitted by the Secured Credit Agreement or any Related Documents), extend or renew for any period (whether or not longer than the original period) or alter or exchange any of the Liabilities or release or compromise any obligation of any nature of any Person with respect thereto;
- (iv) release or fail to perfect its Security Interest in, or surrender, release or permit any substitution or exchange for, all or any part of any personal property securing any of the Liabilities, or create, extend or renew for any period (whether or not longer than the original period) or release, compromise, alter or exchange any obligations of any nature of any Person with respect to any such property; and
- (v) except as otherwise permitted by Section 6.1 of the Secured Credit Agreement and by the Bank Agency Agreement, after an Event of Default, resort to the Collateral for payment of any of the Liabilities whether or not it (1) shall have resorted to any

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other property securing payment and performance of the Liabilities or (2) shall have proceeded against any Person primarily or secondarily liable on any of the Liabilities (all of the actions referred to in preceding clauses (1) and (2) being hereby expressly waived by Borrower).

(b) No release from the Security Interest created by this Agreement of any part of the Collateral by Lender shall in any way alter, vary or diminish the force or effect of or Security Interest created by this Agreement against the balance or remainder of the Collateral.

SECTION 8. Grant of License to Use Intangibles. In addition to Section 6(o) hereof, and solely for the purpose of enabling Lender to exercise rights and remedies after the occurrence of an Event of Default hereunder at such time as Lender, without regard to this Section 8, shall be lawfully entitled to exercise such rights and remedies, Borrower hereby grants to Lender an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to Borrower) to use, assign, license or sublicense any of Borrower's General Intangibles (in the case of Trademarks, including the goodwill and assets relating to the products sold under the Trademarks), now owned or hereafter acquired by Borrower, and wherever the same may be located, including in such license reasonable access as 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. No agreements hereafter acquired or agreed to or entered into by Borrower shall prohibit, restrict or impair the rights granted hereunder.

SECTION 9. Information. Lender and any of the officers, employees, agents or auditors of Lender shall have the right at reasonable intervals after the date hereof to make reasonable inquiries by mail, telephone, telegraph or otherwise to any Person with respect to validity and amount or any other matter (including, without limitation, the assertion by Account Debtors of claims, offsets and counterclaims) concerning any of the Collateral.

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SECTION 10. Event of Default.

(a) (i) Whenever an Event of Default shall be existing, Lender may exercise from time to time any rights and remedies available to it hereunder, under the Secured Credit Agreement and under the Uniform Commercial Code as in effect from time to time in Maryland or otherwise available to it under applicable law. Borrower hereby expressly waives, to the fullest extent permitted by applicable law, any and all notices, advertisements, hearings, or process of law in connection with the exercise by Lender of any of its rights and remedies after an Event of Default occurs.

(ii) Borrower agrees, upon the occurrence of an Event of Default and upon the request of Lender, to assemble, at Borrower's expense, all Collateral at a convenient place or places acceptable to Lender.

(iii) To the fullest extent permitted by applicable law, Borrower hereby waives the right to object to the manner or sufficiency of advertising, refurbishing of the Collateral, or solicitation of bids in connection with any sales or other disposition of the Collateral. To the fullest extent permitted by applicable law, Borrower agrees that any sale by Lender may be made at any broker's board or public or private sale, with or without notice or advertisement, for cash or credit, and for present or future delivery. At any such public or private sale or other disposition of Collateral, Lender may, to the extent permissible under applicable law, purchase the whole or any part of any Collateral sold, or may sell or dispose of the Collateral to any other Person, free from any and all claims of Borrower or of any other Person claiming by, through, or under Borrower. Borrower hereby expressly waives and releases, to the fullest extent permitted by applicable law, any right of redemption on the part of Borrower. If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if mailed at least ten days before such disposition, postage prepaid, addressed to Borrower either at the address shown below, or at any other address of Borrower appearing on the records of Lender. Any proceeds of any Collateral, or of the disposition by Lender of any of the Collateral (including, without limitation, Benefits to the extent provided in Section 16 hereof), may be applied by Lender to the payment of reasonable expenses in connection with the Collateral, including reasonable attorneys' fees and legal expenses, and any balance of such proceeds may be applied by Lender toward the payment of such of the Liabilities, and in such order of application, as Lender may from time to time elect.

(b) Without limiting any other provision of this Agreement: whenever an Event of Default shall be existing, Lender, with or without process of law, may enter upon any premises where the Collateral or any part thereof may be, and take possession of all or any part thereof; and Lender may, without being responsible for loss or damage, hold, store, keep idle, lease, operate or otherwise use or permit the use of the Collateral or any part thereof for such time and upon such terms as Lender may deem to be commercially reasonable, or may render all or part of the Collateral unusable, and may demand, collect and retain all earnings and all other sums due and to become due in respect of the Collateral from any Person whomsoever, accounting only for net earnings, if any, arising from use or from the sale thereof after charging against all receipts from use or from the sale

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thereof all costs and expenses of, and damages or losses by reason of, such use or sale.

(c) Borrower hereby agrees to pay any and all expenses incurred by Lender in retaking, holding, preparing for sale, selling and the like with regard to the Collateral, including, without limitation, reasonable attorneys' fees incurred by Lender in connection therewith.

(d) Borrower agrees that in any sale of any of the Collateral Lender is authorized to comply with any limitation or restriction in connection with such sale as counsel may advise Lender is necessary in order to avoid any violation of applicable law (including, without limitation, compliance with such procedures as may restrict the number of prospective bidders or purchasers, require that such prospective bidders and purchasers have certain qualifications, and restrict such prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account or investment and not with a view to the distribution or resale of such Collateral), or in order to obtain any required approval of the sale or of the purchaser by any governmental or regulatory authority or official, and Borrower 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, nor shall Lender be liable in or accountable to Borrower for any discount allowed by reason of the fact that such Collateral was sold in compliance with any such limitation or restriction.

(e) If sufficient sums are not realized upon any disposition of the Collateral to pay all Liabilities and any expenses of such disposition, including, without limitation, reasonable attorneys' fees, Borrower hereby promises to pay immediately any resulting deficiency.

(f) No right or remedy herein conferred is intended to be exclusive of any other right or remedy, but every such right or remedy shall be cumulative and shall be in addition to every other right or remedy herein conferred, or conferred upon Lender by any other agreement or instrument or security, or now or hereafter existing at law or in equity or by statute.

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SECTION 11. Authority of Lender.

(a) Lender shall have, and be entitled to exercise, all such powers hereunder as are specifically delegated to Lender by the terms hereof, together with such powers as are incidental thereto. Lender may execute any of its duties hereunder by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to its duties hereunder.

Neither Lender, nor any director, officer or employee of Lender, shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or wilful misconduct. Borrower agrees to reimburse Lender, on demand, for all reasonable costs and expenses incurred by Lender in connection with the administration and enforcement of this Agreement (including costs and expenses incurred by any agent employed by Lender) and agrees to indemnify (which indemnification shall survive any termination of this Agreement) and hold harmless Lender (and any such agent) from and against any and all liability incurred by Lender (or such agent) hereunder or in connection herewith, unless such liability shall be due to gross negligence or wilful misconduct on the part of Lender or such agent, as the case may be.

(b) Lender may from time to time, without notice to Borrower, at its option, perform any obligation to be performed by Borrower hereunder, under the Secured Credit Agreement or the Related Documents which shall not have been performed and take any other action which Lender deems necessary for the maintenance or preservation of any of the Collateral or its security interest in the Collateral. All moneys advanced by Lender in connection with the foregoing shall, whether or not there are then outstanding any Loans made under the Secured Credit Agreement or the Secured Credit Agreement is in effect, bear interest at the Default Rate (or such lower maximum rate as shall be legal under applicable law), and shall be repaid together with such interest by Borrower to Lender, upon the latter's demand, and shall be secured hereby prior to any other indebtedness or obligation secured hereby, but the making of any such advance by Lender shall not relieve Borrower of any default hereunder or thereunder.

SECTION 12. Termination. This Agreement shall terminate when the Commitments shall be terminated and all the Liabilities have been fully paid and performed, at which time Lender shall reassign and redeliver (or cause to be reassigned and redelivered) to Borrower, or to such person as Borrower shall designate, against receipt, such of the Collateral (if any) as shall not have been sold or otherwise applied by Lender pursuant to the terms hereof and shall still be held by it hereunder, together with appropriate instruments of reassignment and release. Any such reassignment shall be without recourse upon, or representation or warranty by, Lender and at the sole cost and expense of Borrower.

SECTION 13. Protection of Intellectual Property.

(a) Borrower shall have the duty to protect, preserve and maintain, in each case, in a manner consistent with Borrower's past practice, all rights of Borrower in each of the Patents,

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Trademarks and Copyrights, and related licenses in favor of, or otherwise of value to, Borrower, including, without limitation, the duty to prosecute and/or defend against any and all suits concerning infringement or dilution of the Intellectual Property, or such licenses, any suits against Borrower asserting the invalidity of the Intellectual Property, or such licenses, and any suits claiming injury to the goodwill associated with any of the Intellectual Property, or such licenses as well as the duty to register material Copyrights with the United States Copyright Office and to make publications of all copyrighted materials with appropriate notice of copyright status. Any expenses incurred in protecting, preserving and maintaining the Intellectual Property, or such licenses, shall be borne by Borrower. To the maximum extent permitted by law, after an Event of Default or Unmatured Insolvency Default shall have occurred and be continuing, Lender shall have the right, without taking title to any Patent, Trademark, Copyright or license, to bring suit to enforce any or all Patents, Trademarks, Copyrights, or such licenses, or its Security Interest in any or all of the Patents, Trademarks, Copyrights, or such licenses, in which event Borrower shall, at the request of Lender, do any and all lawful acts and execute any and all proper documents required by Lender in aid of such enforcement. All costs, expenses and other moneys advanced by Lender in connection with the foregoing shall, whether or not there are then outstanding any Loans under the Secured Credit Agreement or the Secured Credit Agreement is in effect, be treated as an advance under Section 11(b) hereof, but the making of any such advance by Lender shall not relieve Borrower of any default hereunder. In addition, Borrower shall indemnify (which indemnification shall survive any termination of this Agreement) and hold harmless Lender from any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (including attorneys' fees and legal expenses) of any kind whatsoever which may be imposed on, incurred by or asserted against Lender in connection with or in any way arising out of such suits, proceedings or other actions; provided, however, that Borrower shall not be liable for any of the foregoing to the extent any of the actions specified in the previous sentence arise solely from the gross negligence or wilful misconduct of Lender. Notwithstanding the foregoing, Lender shall have no obligations or liabilities regarding any or all Patents, Trademarks and Copyrights, or any licenses, by reason of, or arising out of, this Agreement.

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(b) If any Event of Default shall have occurred and be continuing, upon the written demand of Lender, Borrower shall execute and deliver to Lender an assignment or assignments of the Intellectual Property, and related licenses in favor of, or otherwise of value to, Borrower, and such other documents as are necessary or appropriate to carry out the intent and purposes of this Agreement along with, in the case of Trademarks, goodwill

and assets relating to the products sold under such Trademarks; provided that the failure of Borrower to comply with such demand will not impair or affect the validity of Section 2 hereof. Borrower agrees that such an assignment shall be applied to reduce the Liabilities then due only to the extent that Lender receives cash proceeds in respect of the sale of, or other realization upon, the Intellectual Property or related licenses; such cash proceeds to be applied to the payment of expenses incurred in connection with the Intellectual Property or related licenses, including attorneys' fees and legal expenses, and any balance of such proceeds shall be applied by the Lender as provided in Section 10(a)(iii). Without limiting any other rights and remedies of Lender, within five (5) Business Days of written notice from Lender, Borrower shall make available to Lender, to the extent within Borrower's power and authority, such personnel in Borrower's employ on the date of the Event of Default as Lender may reasonably designate, by name, title or job responsibility, to permit Borrower to continue, directly or indirectly, to produce, advertise and sell the products sold by Borrower under the Trademarks or related licenses, such personnel to be available to perform their prior functions on Lender's behalf and to be compensated by Lender on a per diem, pro rata basis consistent with the salary and benefit structure applicable to each as of the date of such Event of Default.

SECTION 14. Miscellaneous Provisions.

(a) Lender and Agent Bank shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral if they take such action for that purpose as Borrower requests in writing, but failure of Lender or Agent Bank to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and no failure of Lender or Agent Bank to preserve or protect any rights with respect to Collateral against prior or other parties, or to do any act with respect to the preservation of Collateral not so requested by Borrower, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral; provided, however, that Lender and Agent Bank will not be deemed to have exercised reasonable care if they are grossly negligent or have acted with wilful misconduct.

(b) Borrower hereby appoints Lender, with full power of substitution, as Borrower's attorney-in-fact for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument which Lender may deem necessary or reasonably advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, Borrower agrees that Lender shall have the right and authority: (i) while any Event of Default shall exist, to assign, sell,

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license, sublicense or otherwise dispose of all right, title and interest of Borrower in and to the Intellectual Property or any thereof, including without limitation assignments, recordings, registrations and applications therefor in the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency of the United States, any State thereof or any other country or political subdivision thereof, and for the purpose of the recording, registering and filing of, or accomplishing any other formality with respect to, the foregoing, to execute and deliver any and all agreements, documents, instruments of assignment or other papers necessary or advisable to effect such purpose; and (ii) make claim for, and receive and give acquittances for payment on account of, loss under any insurance policy covering the Collateral, or any part thereof, and to receive, endorse and collect all checks, drafts and other orders for the payment of money representing the proceeds of such insurance.

(c) All notices or other communications hereunder shall be given in the manner specified under Section 14.3 of the Secured Credit Agreement, whether or not then in effect.

(d) No delay on the part of Lender in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Lender of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

(e) No amendment to, modification or waiver of, or consent with respect to any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed and delivered by Lender, and then any such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(f) This Agreement shall be binding upon Borrower, Lender and their respective successors and assigns, and shall inure to the benefit of Borrower, Lender and their respective successors and assigns; provided, however, that Borrower shall have no right to assign its rights or delegate its duties under this Agreement.

(g) At the option of Lender, this Agreement, or a carbon, photographic or other reproduction of this Agreement or of any Uniform Commercial Code financing statement covering the Collateral or any portion thereof, shall be sufficient as a Uniform Commercial Code financing statement and may be filed as such.

(h) The section headings in this Agreement are inserted for convenience of reference and shall not be considered a part of this Agreement or used in its interpretation.

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(i) This Agreement may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall for all purposes be deemed an original, but all such counterparts shall together constitute but one and the same Agreement. Borrower hereby acknowledges receipt of a true, correct and complete counterpart of this Agreement.

(j) Borrower hereby expressly waives, to the extent permitted by applicable law: (i) notice of the acceptance by Lender of this Agreement; (ii) notice of the existence or creation or non-payment of all or any of the Liabilities; (iii) presentment, demand, notice of dishonor, protest, and all other notices whatsoever; and (iv) all diligence in collection or protection of or realization upon the Liabilities or any thereof, any obligation hereunder, or any security for or guaranty of any of the foregoing.

(k) Subject to the provisions of Section 14.8 of the Secured Credit Agreement, Lender may, from time to time, without notice to Borrower, assign or transfer any or all of the Liabilities or any interest therein; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Liabilities shall be and remain Liabilities for the purposes of this Agreement, and each and every immediate and successive assignee or transferee of any of the Liabilities or of any interest therein shall, to the extent of the interest of such assignee or transferee in the Liabilities, be entitled to the benefits of this Agreement to the same extent as if such assignee or transferee were Lender; provided, however, that, unless Lender shall otherwise consent in writing, Lender shall have an unimpaired right, prior and superior to that of any such assignee or transferee, to enforce this Agreement, for the benefit of Lender, as to those of the Liabilities which Lender has not assigned or transferred.

(l) Borrower agrees that, if at any time all or any part of any payment theretofore applied by Lender to any of the Liabilities is or must be rescinded or returned by Lender for any reason whatsoever (including, without limitation, the insolvency, bankruptcy or reorganization of Borrower or any of its Affiliates), such Liabilities shall, for the purposes of this Agreement, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by Lender, and the Security Interest granted hereunder shall continue to be effective or be reinstated, as the case may be, as to such Liabilities, all as though such application by Lender had not been made.

(m) Borrower hereby acknowledges that there are no conditions to the effectiveness of this Agreement.

(n) If any item of Collateral hereunder also constitutes collateral granted to Lender under any other Collateral Document, in the event of any conflict between the provisions under this Agreement and those under such other mortgage, agreement or instrument relating to such Collateral, the provision or provisions selected by Lender shall control with respect to such Collateral.

(o) In case of conflict between any provision of this Agreement and any provision of the Secured Credit Agreement, the provisions of the Secured Credit Agreement shall control.

15. GOVERNING LAW; SEVERABILITY. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF MARYLAND WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAW. WHENEVER POSSIBLE, EACH PROVISION OF THIS AGREEMENT SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER APPLICABLE LAW, BUT IF ANY PROVISION OF THIS AGREEMENT SHALL BE PROHIBITED BY OR INVALID UNDER SUCH LAW, SUCH PROVISION SHALL BE INEFFECTIVE TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS AGREEMENT. ALL OBLIGATIONS OF BORROWER, ANY OF ITS SUBSIDIARIES OR ANY RELATED PERSON AND RIGHTS OF LENDER AND ANY OTHER HOLDER OF A NOTE OR LIABILITY EXPRESSED IN THIS AGREEMENT SHALL BE IN ADDITION TO AND NOT IN LIMITATION OF THOSE PROVIDED IN APPLICABLE LAW OR IN ANY OTHER WRITTEN INSTRUMENT OR AGREEMENT RELATING TO ANY OF THE LIABILITIES.

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SECTION 16. Application of Insurance Proceeds. Any loss benefits ("Benefits") under any of the insurance policies maintained by Borrower pursuant to Section 6(i) hereof shall be applied as follows:

(a) If no Event of Default has occurred and is continuing, and the amount of such Benefits, together with all other Benefits and Condemnation Awards (as defined in the Mortgages, notwithstanding any termination thereof) previously or contemporaneously paid to Lender hereunder or under any Mortgage, is less than \$100,000, then such Benefits shall be paid into the Master Account for application pursuant to the Secured Credit Agreement, with application to be made first pursuant to the Secured Credit Agreement.

(b) If no Event of Default has occurred and is continuing and the amount of such Benefits, together with all other Benefits and Condemnation Awards previously or contemporaneously paid to Lender hereunder or under any Mortgage, is \$100,000 or greater, then such Benefits, together with any interest thereon, shall be held by Lender as additional Collateral hereunder, but, so long

as no Event of Default has occurred and is continuing, such Benefits may, at Borrower's discretion, be either:

(i) prior to the time when all Liabilities shall have been finally paid in full and Lender has no further Obligation to make advances under the Secured Credit Agreement, applied by Lender to the repayment of the Loans under the Secured Credit Agreement, subject to all of the terms and conditions of the Secured Credit Agreement, which repayment shall reduce the Commitments, as provided in the Secured Credit Agreement, or

(ii) at any time, but subject to the following paragraph (c), used by Borrower to repair or replace the damaged or destroyed Collateral giving rise to such Benefits.

(c) Lender shall have no obligation to release any Benefits to Borrower for Borrower's use in repairing or replacing damaged or destroyed Collateral unless all of the following conditions are satisfied:

(i) Borrower shall have submitted to Lender plans and specifications for the repair or replacement of the damaged or destroyed Collateral reasonably satisfactory to Lender, which plans and specifications shall not be substantially modified, changed or revised without Lender's prior written consent (which shall not be unreasonably delayed or withheld).

(ii) Borrower, if so requested by Lender, shall have submitted to Lender fixed price contracts with good and responsible contractors and materialmen covering all work and materials necessary to complete any proposed repair or replacement of the damaged or destroyed Collateral.

(iii) Lender may impose such further conditions upon the release of Benefits as are customary in the financing of repairs or purchases of the type proposed by Borrower, including, without limitation, any conditions described in Section 1.7 of each of the Mortgages, to the extent applicable.

(iv) The amount of such Benefits and the cost of such repairs or replacement shall not exceed \$150,000.

(d) If an Event of Default occurs or is continuing while Lender is holding any Benefits pursuant to this Section 16, Lender may apply such Benefits as provided in the last sentence of Section 10(a)(iii) hereof.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

COLOR PRELUDE INC.

By: *Shelby Garland*

Name Printed: Shelby Garland

Its: President

Address:

55 Railroad Avenue
Greenwich, Connecticut 06830
Attention: Chief Financial Officer
Facsimile: 203/661-3114
Telephone: 203/661-6777

HOUSEHOLD COMMERCIAL FINANCIAL
SERVICES, INC.

By: *Paul Rader*

Name Printed: Paul Rader

Its: Vice President

Address:

2700 Sanders Road
Prospect Heights, IL 60070
Attention: Special Products
Division Acquisition
Financing - Loan Servicing
Facsimile: 708/564-6238
Telex: 254336 (Answerback:
HFCHQPHTS)
Telephone: 708/564-5000

TRADEMARK

REEL 160 FRAME 181

STATE OF ILLINOIS)
COUNTY OF COOK) SS.

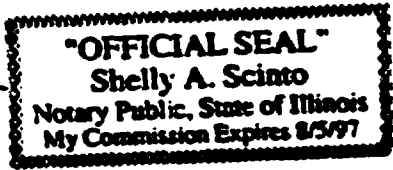
I, Shelly A. Scinto, a notary public in and for said County, in the State aforesaid, DO HEREBY CERTIFY that Stanley Garko personally known to me to be a President of COLOR PRELUDE INC., a Delaware corporation, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as President of said corporation, pursuant to authority, given by the Board of Directors of said corporation as such person's free and voluntary act, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of May, 1994.

Shelly A. Scinto
Notary Public

My Commission Expires:

8-5-97



REEL 160 FRAME 182
TRADEMARK

STATE OF Illinois)
COUNTY OF Cook) SS.

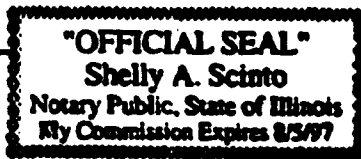
I, Shelly A. Scinto, a notary public in and for said County, in the State aforesaid, DO HEREBY CERTIFY that Paul Peter, personally known to me to be a Vice President of HOUSEHOLD COMMERCIAL FINANCIAL SERVICES, INC., a Delaware corporation, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument as Vice President of said corporation, pursuant to authority, given by the Board of Directors of said corporation as such person's free and voluntary act, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of May, 1994.

Shelly A. Scinto
Notary Public

My Commission Expires:

8-5-97



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TRADEMARK

Schedule I

TRADEMARKS, TRADENAMES AND SERVICE MARKS

U.S. TRADEMARK REGISTRATION

<u>U.S. TM Reg. No.</u>	<u>Issue Date</u>	<u>Mark</u>
1,649,216	07/02/91	COLOR PRELUDE

FOREIGN TRADEMARK REGISTRATION

<u>Country</u>	<u>Reg. No.</u>	<u>Mark</u>
France	1534634	COLOR PRELUDE

TRADEMARK

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Schedule II

PATENTS

TRADEMARK

REEL 1160 FRAME 18

U.S. PATENTS

<u>Title</u>	<u>U.S. Pat. No.</u>	<u>Issue Date</u>	
COSMETIC SAMPLER	4,751,934	06/21/88	Covers cosmetic sampler with plastic overlay or folded.
STACKED UNIT DOSE COSMETIC SAMPLER	4,848,378	07/18/89	Covers stacked pad embodiment.
METHOD OF MAKING A COSMETIC SAMPLER	5,192,386	03/09/93	Covers method of making cosmetic sampler and pre-heated lipstick sampler.

PENDING U.S. PATENT APPLICATIONS

<u>Title</u>	<u>Serial No.</u>	<u>Filing Date</u>	
LIPSTICK SAMPLER	857,993	03/26/92	Covers screen printed lipstick sampler.
FRAGRANCE SAMPLER	165,482		

FOREIGN PATENTS

<u>Country Title</u>	<u>Pat. No.</u>	<u>Issue Date</u>	
Australia COSMETIC SAMPLER	583241	08/11/89	Covers cosmetic sampler with plastic overlay or folded.
Austria COMESTIC SAMPLER	89,462		
Israel COSMETIC SAMPLER	82874	06/10/91	Covers cosmetic sampler with plastic overlay or folded.
Canada COSMETIC SAMPLER	1288940	09/17/91	Covers cosmetic sampler with plastic overlay or folded; method of making cosmetic sampler; pre-heated lipstick sampler.

EPC
COSMETIC SAMPLER
(France, Germany
and UK)

0 252 001 05/19/93

Covers cosmetic sampler
with plastic overlay or
folded; stacked pad
embodiment; method of
making cosmetic
sampler; pre-heated
lipstick sampler;
screen printed
fragrance sampler.

Japan

5-33797 05/20/93

Covers cosmetic sampler
with plastic overlay;
method of making
cosmetic sampler;
pre-heated lipstick
sampler.

Germany

3,785,889

TRADEMARK

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Schedule III

LOCATIONS OF COLLATERAL

7600 Energy Parkway
Linthicum, Maryland 21226

55 Railroad Avenue
Greenwich, Connecticut 06830

LOCATION OF CHIEF EXECUTIVE OFFICE

55 Railroad Avenue
Greenwich, Connecticut 06830

TRADEMARK

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Schedule IV

THIRD PARTY LOCATIONS OF BORROWER'S GOODS

None.

TRADEMARK

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Schedule V

COPYRIGHTS

Registration No.

None.

Title of Work

Owner of Record

TRADEMARK

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42053025.3 051304 1613C 09050796

TRADEMARK
REEL: 1787 FRAME: 0857

Form of Waiver Agreement
(Landlord's or Mortgagee's Waiver)

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Household Commercial Financial
Services, Inc.
2700 Sanders Road
Prospect Heights, Illinois 60670

Attention: _____

DECLARATION AND AGREEMENT

In order to induce Household Commercial Financial Services, Inc. (together with its successors and assigns, "Lender") to extend credit to Color Prelude Inc., a Delaware corporation (together with its successors and assigns, "Borrower"), secured pursuant to that certain Security Agreement, dated as of May __, 1994, by and between Lender and Borrower (as the same hereafter may be amended, modified, supplemented or restated from time to time, the "Security Agreement"), by certain property described more particularly on Annex A attached hereto (the "Property"), some or all of which Property may be located upon that certain real property located at _____, a legal description of which is set forth as Annex B attached hereto (the "Premises"), and, in consideration thereof, the undersigned declares and agrees as follows:

TRADEMARK

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(i) The undersigned has an interest in the Premises as (as indicated):

_____ Owner.

_____ Mortgagee or Beneficiary under a Mortgage, Deed of Trust or a similar instrument, dated _____, 19__ and recorded in the _____ of _____ County, State of _____, as Document No. _____ or in Vol. _____, Page ____.

_____ Other (describe):

(ii) The Property (including, without limitation, equipment and fixtures) shall at all times be and remain personal property, and shall not be an accession or addition to or fixture on the Premises, regardless of the fact that it may be installed thereon or in any manner attached thereto, and the undersigned shall acquire no title to or interest in the Property by virtue of any installation or attachment.

(iii) The undersigned acknowledges that it does not own any of the Property. Any and all liens, claims, demands, rights or interests which the undersigned now has or hereafter acquires in, on or to the Property and all additions thereto and replacements and substitutions therefor, including, without limitation, the right to levy, distrain, take possession of or sell for unpaid rent, shall be and are hereby waived and released in favor of any now existing or hereafter arising lien or security interest (including, without limitation, pursuant to the Security Agreement) of Lender in the Property.

(iv) Lender, at no expense to the undersigned, may enter onto the Premises at any time or times and take possession of, sever or remove the Property or any part thereof and said Property may be sold, transferred or otherwise disposed of free and discharged of all liens, claims, demands, rights or interests of the undersigned.

(v) The undersigned agrees not to take any action to terminate Borrower's right to occupy the Premises or to have the Property located on the Premises removed therefrom without thirty (30) days' prior written notice to Lender at its address at 2700 Sanders Road, Prospect Heights, Illinois 60070, Attention: _____, or at such other address as Lender may notify the undersigned from time to time. Prior to the undersigned taking any of the actions described in the preceding sentence, Lender shall have the right (but not the obligation) to cure or cause to be cured any default by Borrower giving rise to such action within the following time periods from and after receipt by Lender of written notice of such contemplated action from the undersigned: 10 days more (with respect to monetary defaults) and 25 days more (with respect to non-monetary defaults) than the period of time granted to Borrower to cure such defaults; provided, however, that if the nature of any non-monetary default is such that the same cannot be cured by Lender within said 25-day period, Lender shall be given such additional period of time as may be necessary to cure the default provided that Lender commences the cure within said 25-day period and proceeds diligently thereafter to complete such cure.

(vi) All terms and conditions of this Declaration and Agreement shall be binding upon the heirs, executors,

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TRADEMARK

Exhibit A
(to Security Agreement)

administrators, successors and assigns or encumbrancers of the undersigned and shall inure to the benefit of Lender and its successors and assigns. The provisions hereof may not be modified except by written agreement executed by Lender and the undersigned.

(vii) This Declaration and Agreement shall be governed by and construed in accordance with the internal laws of the State in which the Premises are located, without regard to its principles of conflict of laws.

(viii) This Declaration and Agreement may be recorded or filed in the jurisdiction where the Premises are located.

(ix) The undersigned agrees and acknowledges that Lender may and shall rely on the foregoing and that the undersigned will be legally bound hereby. The undersigned waives any requirement that this Declaration and Agreement be accepted by Lender or Borrower or that the undersigned receive notice of such acceptance.

Executed and delivered this ___ day of _____, 19__.

[NAME OF LANDLORD OR MORTGAGEE]

By _____
Name Printed: _____
Its: _____

TRADEMARK

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Acknowledged and Agreed to this

___ day of _____, 19__:

COLOR PRELUDE INC.

By: _____
Its: _____

Attest: _____

**ANNEX A
TO DECLARATION AND AGREEMENT**

PROPERTY

All property of Borrower wherever located, whether now or hereafter existing, owned, licensed, leased, consigned, arising or acquired (the "Collateral"), including, without limitation, all of Borrower's:

- (i) Goods (including, without limitation, all of Borrower's Equipment, Fixtures and Inventory) (as such Goods, Equipment, Fixtures and Inventory are defined below); and
- (ii) Computer Hardware and Software (as defined below) and all rights with respect thereto, including, without limitation, any and all licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications and any substitutions, replacements, additions or model conversions of any of the foregoing;

together with: (x) all books, ledgers, books of account, records, writings, data bases, information and other property relating to, used or useful in connection with, evidencing, embodying, incorporating or referring to, any of the foregoing; and (y) all proceeds, products, rents, issues, profits and returns of and from any of the foregoing.

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For purposes of this Annex A, terms shall have the following meanings (which definitions shall be applicable to the singular and plural forms of such terms):

Computer Hardware and Software shall mean (i) all computer and other electronic data processing hardware, integrated computer systems, central processing units, memory units, display terminals, printers, features, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories and all peripheral devices and other related computer hardware, whether now owned, licensed or leased or hereafter acquired by Borrower; (ii) all software programs, whether now owned, licensed or leased or hereafter acquired by Borrower, designed for use on the computers and electronic data processing hardware described in clause (i) above; (iii) all firmware associated

therewith, whether now owned, licensed or leased or hereafter acquired by Borrower; and (iv) all documentation for such hardware, software and firmware described in the preceding clauses (i), (ii) and (iii), whether now owned, licensed or leased or hereafter acquired by Borrower.

Equipment shall mean all furniture, furnishings, fixtures, machinery and equipment of Borrower of every description used or useful in the conduct of Borrower's business, and all accessories, accessions, additions, attachments, substitutions, replacements, improvements, parts and other property now or hereafter affixed thereto or used in connection therewith.

Fixture shall have the meaning assigned to such term in the Uniform Commercial Code in the state in which such fixture is located.

Goods shall have the meaning assigned to such term in the Uniform Commercial Code.

Inventory shall mean goods, merchandise and other personal property furnished under any contract of service or intended for sale or lease, including, without limitation, all raw materials, work in process, finished goods and materials and supplies, of any kind, nature, or description, that are used or consumed by Borrower's business, or are or might be used in connection with the manufacture, packing, shipping, advertising, selling, or finishing of such goods, merchandise, and other personal property, and all returned or repossessed goods now or at any time or times hereafter in the possession or under the control of Borrower or Lender.

Uniform Commercial Code shall mean the Uniform Commercial Code as in effect in the State of Maryland.

TRADEMARK

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**ANNEX B
TO DECLARATION AND AGREEMENT**

LEGAL DESCRIPTION OF PREMISES

TRADEMARK

REEL 160 FRAME 195

430X3825.3 051396 1613C 89850796

**TRADEMARK
REEL: 1787 FRAME: 0863**

