

02-25-1999



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TRADEMARK

FORM PTO-1618A
Expires 06/30/99
OMB 0651-0027

MPD
2/24/99

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
Effective Date
Month Day Year
- Merger
- Change of Name
- Other

Conveying Party

Mark if additional names of conveying parties attached

Name Execution Date
Month Day Year

- 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)

- Individual
- General Partnership
- Limited Partnership
- Corporation
- Association
- Other
- Citizenship/State of Incorporation/Organization

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.)

FOR OFFICE USE ONLY

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.

Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20531

TRADEMARK
REEL: 1859 FRAME: 0853

02/24/1999 JTB 00000195 500447 50.00 CH 50.00 CH

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" value="75366536"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="2195904"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1986964"/>	<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.

Arthur G. Schaier, Reg. No. 37,715

2/16/99

Name of Person Signing

Signature

Date Signed

SECURITY AGREEMENT SECURING CONTINUING GUARANTY

THIS SECURITY AGREEMENT SECURING CONTINUING GUARANTY is dated and entered into as of the 12th day of February, 1999, by and between HAT CITY BEVERAGES, LLC, a Connecticut limited liability company having its chief executive office and principal place of business at 18½ Balmforth Avenue, Danbury, Connecticut 06810 (the "Debtor"), and PEOPLE'S BANK, a Connecticut banking corporation having a banking office at 255 Bank Street, Waterbury, Connecticut 06702 (the "Secured Party").

WITNESSETH:

WHEREAS, on the date hereof, Secured Party has agreed to make available to Debtor's affiliates, Berkshire Beverage Corporation and Light Rock Spring Water Company, each a Connecticut corporation (collectively, the "Borrowers"), a revolving line of credit loan in an amount of up to \$500,000.00 (the "Loan"), and Debtor, together with the individual shareholders of the Borrowers, have agreed to jointly, severally and unconditionally guarantee the Loan and the Borrowers' joint and several obligations to Secured Party thereunder; and

WHEREAS, on the date hereof, Debtor has executed and delivered to Secured Party a continuing guaranty agreement (the "Continuing Guaranty") to induce Secured Party to make the Loan available to the Borrowers; and

WHEREAS, Debtor has agreed to grant to Secured Party a continuing first priority lien and security interest in all of Debtor's tangible and intangible personal property assets to secure the Continuing Guaranty; and

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of Security Interest. Debtor hereby grants to Secured Party, to secure the payment and performance in full of all of Debtor's present and future debts, obligations and liabilities to Secured Party, including, without limitation, its liability to Secured Party under the Continuing Guaranty, a continuing security interest in and so pledges and assigns to Secured Party all of Debtor's tangible and intangible personal properties whether now owned or hereafter acquired by it, including, without limitation, all of its Accounts, Equipment, Trademarks, Inventory, Chattel Paper, General Intangibles and Instruments (as such terms are defined on Schedule A attached hereto and made a part hereof), together with the products and proceeds thereof (all of the same being hereinafter called the "Collateral").

2. Representations, Warranties and Covenants. The Debtor makes the following representations and warranties, and agrees to the following covenants, each of which representations, warranties and covenants shall be continuing and in force so long as this Security Agreement is in effect:

2.1 Name; Address/Collateral Locations; Changes.

(a) The name of the Debtor set forth on the first page hereof is the true and correct legal name of the Debtor, and except as otherwise disclosed in writing to the Secured Party, the Debtor has not done business as or used any other name.

(b) The address of the Debtor set forth on the first page hereof is the Debtor's chief executive office and the place where its business records are kept. All tangible Collateral is located at such chief executive office.

(c) The Debtor will not change its name, identity or organizational structure or chief executive office or place where its business records are kept, or move any tangible Collateral to a new and different location, or merge into or consolidate with any other entity, unless the Debtor shall have given the Secured Party at least thirty (30) days' prior written notice thereof and shall have delivered to the Secured Party such new Uniform Commercial Code financing statements or other documentation as may be necessary or required by the Secured Party to ensure the continued perfection and priority of the security interests granted by this Security Agreement.

2.2 Organization; Qualification to Transact Business. It is duly organized and validly existing as a limited liability company under the laws of the State of Connecticut and is duly qualified to transact business in every other state in which the nature of its business or properties requires such qualification.

2.3 Authorization of Agreements; No Consents; No Conflicts. The execution, delivery and performance of this Security Agreement has been duly authorized by all necessary limited liability company action and does not and will not (i) require any further consent or approval of the members of the Debtor; (ii) contravene the terms of the organizational papers of the Debtor; (iii) violate any applicable law, rule or regulation of any governmental agency; (iv) contravene any provision of its articles of organization or operating agreement or of any agreement, instrument, order or undertaking binding on the Debtor or by which any of its properties are bound or affected; (v) other than as contemplated hereby, result in or require the imposition of any lien or security interest on any of the properties of the Debtor; or (vi) other than filings required by the Uniform Commercial Code and the United States Patent and Trademark Office ("PTO"), require the approval or consent of, or filing or registration with, any governmental or other agency or authority, or any other party.

2.4 Ownership of Collateral; Absence of Liens and Restrictions. The Debtor is, and in the case of property acquired after the date hereof, will be, the sole legal and equitable owner of the Collateral, holding good and marketable title to the same free and clear of all liens and security interests, and has good right and legal authority to assign, deliver, and create a security interest in the Collateral in the manner herein contemplated. The Collateral is genuine and is what it is purported to be. The Collateral is not subject to any restriction that would prohibit or restrict the assignment, delivery or creation of the security interests contemplated hereunder.

2.5 Security Interest. This Security Agreement, together with the filing of Uniform Commercial Code financing statements in the appropriate offices for the locations of Collateral and the filing of a collateral assignment of the Trademarks with the PTO, create a valid and continuing lien on and perfected security interest in the Collateral, prior to all other liens and security interests, and is enforceable as such against creditors of the Debtor, any owner of the real property where any of the Collateral is located, any purchaser of such real property and any present or future creditor obtaining a lien on such real property. No financing statement under the Uniform Commercial Code of any state or other instrument, and no filing with the PTO, evidencing a lien or security interest that names the Debtor as debtor is on file in any jurisdiction and the Debtor has not signed any such document or any agreement authorizing the filing of any such financing statement or instrument.

2.6 Conditional Assignment of Trademarks. In addition to, and not by way of limitation of, the grant to Secured Party of a security interest in the Trademarks contained in Section 1 above, the Debtor grants, assigns, transfers, conveys and sets over to Secured Party, the Debtor's entire right, title and interest in and to the Trademarks; provided that such grant, assignment, transfer and conveyance shall be and become in full force and effect only upon the occurrence of a default or an Event of Default hereunder or under the Continuing Guaranty. In addition, the Debtor has executed in blank and delivered to Secured Party an assignment of the Trademarks in substantially the form of Schedule B attached hereto and made a part hereof (the "Assignment of Trademarks"). The Debtor hereby authorizes Secured Party to complete as assignee and record with the PTO the Assignment of Trademarks upon the occurrence of an Event of Default hereunder or under the Continuing Guaranty and the exercise of Secured Party's rights and remedies under this Security Agreement.

2.7 Sales and Further Encumbrances. The Debtor will not sell, grant, assign or transfer any interest in, or permit to exist any lien or security interest on, any of the Collateral other than in favor of the Secured Party or its affiliates except for (i) sales of Inventory or grants of licenses and other rights in the ordinary course of the Debtor's business for cash or on open account and on terms of payment ordinarily extended to its customers; or (ii) so long as no Event of Default hereunder has occurred and is continuing, dispositions of Equipment that has become worn out or obsolete or that has

been replaced by other Equipment. The Debtor shall defend its title to and the Secured Party's interest in the Collateral against all claims and take any action necessary to remove any lien or security interest other than those permitted hereunder and defend the right, title and interest of the Secured Party in and to any of the Debtor's rights in the Collateral.

2.8 Validity of Accounts. Each Account constituting Collateral is and shall be a valid, legal and binding obligation of the party purported to be obligated thereon, enforceable in accordance with its terms and free of material setoffs, defenses or counterclaims.

2.9 Fixture Conflicts; Required Waivers. The Debtor intends, to the extent not consistent with applicable law, that the Collateral shall remain personal property of the Debtor and shall not be deemed to be a fixture irrespective of the manner of its attachment to any real estate. The Debtor will deliver to the Secured Party such disclaimer, waiver, or other documents as the Secured Party may request, executed by each person having an interest in such real estate.

2.10 Inspection; Verification of Accounts. The Debtor will at all reasonable times allow the Secured Party to examine, inspect or make extracts from or copies of the Debtor's books and records, inspect the Collateral and arrange for verification of Accounts and accounts receivable constituting Collateral directly with the Debtor's accountants, the account debtors or by other methods.

2.11 Accounts and Accounts Receivable; Collection and Delivery of Proceeds. The Debtor will diligently collect all of its Accounts and accounts receivable constituting Collateral until the Secured Party exercises its rights to collect the Accounts and accounts receivable pursuant to this Security Agreement after the occurrence of an Event of Default hereunder or under the Continuing Guaranty. The Debtor shall, at the request of the Secured Party after the occurrence of an Event of Default, notify account debtors of the security interest of the Secured Party in any Account or account receivable and that payment thereof is to be made directly to the Secured Party. Upon request of the Secured Party after the occurrence of an Event of Default, any proceeds of Accounts, accounts receivable or Inventory constituting Collateral received by the Debtor, whether in the form of cash, checks, notes or other instruments, shall be held in trust for the Secured Party by the Debtor and the Debtor shall deliver said proceeds daily to the Secured Party, without commingling, in the identical form received (properly endorsed or assigned where required to enable the Secured Party to collect same).

2.12 Equipment and Inventory; Insurance. The Debtor will keep the Collateral insured at all times by insurance in such form and amounts as may be satisfactory to the Secured Party, and in any event (without specific request by the Secured Party) will insure the Collateral against physical hazard insurance on an "all

risks" basis, including fire, theft, and, in the case of motor vehicles, collision. Such insurance shall be with insurance companies satisfactory to the Secured Party and shall be payable to the Secured Party as an additional insured and the Debtor, as their respective interests may appear. Such insurance shall provide for not less than thirty (30) days' notice of cancellation, change in form or non-renewal to the Secured Party, and shall insure the interest of the Secured Party regardless of any breach or violation by the Debtor or any other person of the warranties, declarations or covenants contained in such policies. The Debtor shall insure the Collateral in amounts sufficient to prevent the application of any co-insurance provisions. The Debtor shall evidence its compliance with the foregoing by delivering a certificate with respect to each policy concurrently with the execution hereof, annually thereafter, and from time to time upon the request of the Secured Party.

2.13 Equipment and Inventory; Maintenance and Use, Payment of Taxes. The Debtor will keep the Collateral in good order and repair, will not use the same in violation of the law or any policy of insurance thereon, and will pay promptly when due all taxes and assessments on the Collateral or on its use or operation.

2.14 Trademarks. All Trademarks and Trademark registrations (i) are now owned, licensed, controlled or used by the Debtor; (ii) are subsisting and have not been adjudged invalid or unenforceable, in whole or in part, and there is no litigation or proceeding pending concerning the validity or enforceability thereof; (iii) are valid and enforceable; (iv) to the best of the Debtor's knowledge, there is no infringement by others of the Trademarks; (v) no claim has been made that the use of any of the Trademarks does or may violate the rights of any third person; and (vi) the Debtor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Trademarks, free and clear of any liens, charges, encumbrances and adverse claims, including pledges, assignments, licenses, registered user agreements and covenants by the Debtor not to sue third persons, other than the security interest created by this Security Agreement.

2.15 Further Assurances. Upon the written request of the Secured Party, and at the sole expense of the Debtor, the Debtor will promptly execute and deliver such further instruments and documents and take such further actions as the Secured Party may deem desirable to obtain the full benefits of this Security Agreement and of the rights and powers here granted, including, without limitation, filing of any financing statement under the Uniform Commercial Code, execution of assignments of general intangibles, execution and filing of a collateral assignment of the Trademarks with the PTO, and transfer of Collateral (other than Inventory, Accounts, accounts receivable and Equipment) to the Secured Party's possession. The Debtor authorizes the Secured Party to file any such financing statement or collateral assignment without the signature of the Debtor to the extent permitted by applicable law, and to file a copy of this Security Agreement in lieu of a financing statement as collateral. If any amount payable under or

in connection with any of the Collateral shall be or become evidence by any promissory note or other instrument, such note or instrument shall be immediately delivered to the Secured Party, duly endorsed in a manner satisfactory to it.

3. Notices and Reports Pertaining to Collateral. The Debtor will, with respect to the Collateral:

(a) promptly furnish to the Secured Party, from time to time upon request, reports in form and detail satisfactory to the Secured Party;

(b) promptly notify the Secured Party of any lien, security interest or other encumbrance asserted against the Collateral, including any attachment, levy, execution or other legal process levied against any of the Collateral, and of any information received by the Debtor relating to the Collateral, including the Accounts and accounts receivable, the account debtors, or other persons obligated in connection therewith, that may in any way adversely affect the value of the Collateral or the rights and remedies of the Secured Party with respect thereto;

(c) promptly notify the Secured Party when it obtains knowledge of actual or imminent bankruptcy or other insolvency proceeding of any account debtor;

(d) deliver to the Secured Party, as the Secured Party may from time to time request, delivery receipts, customers' purchase orders, shipping instructions, bills of lading and any other evidence of shipping arrangements; and

(e) concurrently with the reports required to be furnished under subsection (a), and immediately if material in amount, notify the Secured Party of any return or adjustment, rejection, repossession, or loss or damage of or to merchandise represented by Accounts and/or accounts receivable or constituting Inventory and of any credit, adjustment or dispute arising in connection with the goods or services represented by accounts and/or accounts receivable or constituting Inventory.

4. Secured Party's Rights with respect to Collateral. The Secured Party may, at its option and at any time after the occurrence of an Event of Default, whether or not all of the Continuing Guaranty is due, without notice or demand on the Debtor, take the following actions with respect to the Collateral:

(a) with respect to any Accounts and accounts receivable (i) notify debtors of the security interest of the Secured Party in such Accounts and accounts receivable and that payment thereof is to be made directly to the Secured Party; (ii) demand, collect, and receipt for any amounts relating thereto, as the Secured Party may determine; (iii) commence and prosecute any actions in any court for the purposes of collecting any such Accounts and accounts receivable and enforcing any other rights in

respect thereof; (iv) defend, settle or compromise any action brought and, in connection therewith, give such discharges or releases as the Secured Party may deem appropriate; (v) receive, open and dispose of mail addressed to the Debtor and endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing payment, shipment or storage of the goods giving rise to such Accounts and accounts receivable or securing or relating to such Accounts and accounts receivable, on behalf of and in the name of the Debtor; and (vi) sell, assign, transfer, make any agreement in respect of, or otherwise deal with or exercise rights in respect of, any such accounts and accounts receivable or the goods or services which have given rise thereto, as fully and completely as though the Secured Party were the absolute owner thereof for all purposes;

(b) with respect to the Trademarks, sell or license at public or private sale or otherwise realize upon the whole or from time to time any part of the Trademarks, or any interest the Debtor may have therein; and

(c) with respect to any Equipment and Inventory (i) make, adjust and settle claims under any insurance policy related thereto and place and pay for appropriate insurance thereon; (ii) discharge taxes and other encumbrances at any time levied or placed thereon; (iii) make repairs or provide maintenance with respect thereto; and (iv) pay any necessary filing fees and any taxes arising as a consequence of any such filing. The Secured Party shall have no obligation to make any such expenditures nor shall the making thereof relieve the Debtor of its obligation to make such expenditures.

Except as otherwise provided herein, the Secured Party shall have no duty as to the collection or protection of the Collateral nor as to the preservation of any rights pertaining thereto, beyond the safe custody of any Collateral in its possession.

5. Set-off Rights. Regardless of the adequacy of any Collateral or any other means of obtaining repayment for the Continuing Guaranty, the Secured Party may at any time and from time to time, without notice to the Debtor (any such notice being expressly waived by the Debtor) and to the fullest extent permitted by law, set off and apply all deposits (general or special, time or demand, provisions or final) and other sums credited by or due from the Secured Party to the Debtor or subject to withdrawal by the Debtor and any other property and securities at any time in the possession or control of the Secured Party against any of the Liabilities, whether or not the Secured Party shall have made any demand for payment of the Continuing Guaranty and although the liability of the Debtor to the Secured Party under the Continuing Guaranty may be contingent or unmatured.

6. Defaults. An event of default ("Event of Default") shall exist hereunder if any of the following conditions occur:

(a) failure to pay the Continuing Guaranty when demand is made by Secured Party thereunder;

(b) failure of any representation or warranty, statement or information herein or in any documents or financial statements delivered or disclosed to the Secured Party in connection with this Security Agreement or the Continuing Guaranty to be true and correct;

(c) loss, theft or substantial damage of or to the Collateral, or the issuance of an attachment or an injunction against the Debtor affecting any of the Collateral;

(d) default under any instrument constituting, or under any agreement (including, without limitation, any insurance policy) relating to any Collateral, which is not cured by Debtor within any applicable cure or grace period; or

(e) change in the condition or affairs (financial or otherwise) of the Debtor, or decline in the value of the Collateral, which, in the opinion of the Secured Party, will impair its security or increase its risk.

7. Secured Party's Rights and Remedies.

(a) So long as any Event of Default shall have occurred and is continuing:

(i) the Secured Party may, at its option, without notice or demand, cause the Continuing Guaranty to become immediately due and payable and take immediate possession of the Collateral, and for that purpose the Secured Party may, so far as the Debtor can give authority therefor, enter upon any premises on which any of the Collateral is situated and remove the same therefrom or remain on such premises and in possession of such Collateral for purposes of conducting a sale or enforcing the rights of the Secured Party;

(ii) the Debtor will, upon demand, assemble the Collateral and make it available to the Secured Party at a place and time designated by the Secured Party that is reasonably convenient to both parties;

(iii) the Secured Party may collect and receive all income and proceeds in respect of the Collateral and exercise all rights of the Debtor with respect thereto;

(iv) the Secured Party may sell, lease or otherwise dispose of the Collateral at a public or private sale, with or without having the Collateral at the place

of sale, and upon such terms and in such manner as the Secured Party may determine, and the Secured Party may purchase any Collateral at any such sale. Unless the Collateral threatens to decline rapidly in value or is of the type customarily sold on a recognized market, the Secured Party shall send to the Debtor prior written notice (which, if given within five (5) days of any sale, shall be deemed to be reasonable) of the time and place of any public sale of the Collateral or of the time after which any private sale or other disposition thereof is to be made. The Debtor agrees that upon such sale by Secured Party, the Collateral shall be held by the purchaser free from all claims or rights of every kind and nature, including any equity of redemption or similar rights, and all such equity of redemption and similar rights are hereby expressly waived and released by the Debtor. In the event any consent, approval or authorization of any governmental agency is necessary to effectuate any such sale, the Debtor shall execute all applications or other instruments as may be required; and

(v) in any jurisdiction where the enforcement of its rights hereunder is sought, the Secured Party shall have, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code.

(b) Prior to any disposition of Collateral pursuant to this Security Agreement the Secured Party may, at its option, cause any of the Collateral to be repaired or reconditioned (but not upgraded unless mutually agreed) in such manner and to such extent as to make it saleable.

(c) The Secured Party is hereby granted a license or other right to use, without charge, the Debtor's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks (including the Trademarks) and advertising matter, or any property of a similar nature, relating to the Collateral, in completing production of, advertising for sale and selling any Collateral; and the Debtor's rights under all licenses and all franchise agreements shall inure to the Secured Party's benefit.

(d) The Secured Party shall be entitled to retain and to apply the proceeds of any disposition of the Collateral, first, to its reasonable expenses of retaking, holding, protecting and maintaining, and preparing for disposition and disposing of, the Collateral, including attorneys' fees and other legal expenses incurred by it in connection therewith; and second, to the payment of the Continuing Guaranty in such order of priority as the Secured Party shall determine. Any surplus remaining after such application shall be paid to the Debtor or to whomever may be legally entitled thereto, provided that in no event shall the Debtor be credited with any part of the proceeds of the disposition of the Collateral until such proceeds shall have been received in cash by the Secured Party. The Debtor shall remain liable for any deficiency.

(e) The Secured Party shall be entitled to complete as assignee and record the Assignment of Trademarks with the PTO, whereupon the Secured Party shall be and become the outright owner and holder of the Trademarks covered by this Security Agreement.

8. Waivers. The Debtor waives presentment, demand, notice, protest, notice of acceptance of this Security Agreement, notice of any loans made, credit or other extensions granted, collateral received or delivered or any other action taken in reliance hereon and all other demands and notices of any description, except for such demands and notice as are expressly required to be provided to the Debtor under this Security Agreement or the Continuing Guaranty. With respect to both the Continuing Guaranty and the Collateral, the Debtor assents to any extension or postponement of the time of payment or any other forgiveness or indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromise or adjustment of any thereof, all in such manner and at such time or times as the Secured Party may deem advisable. The Secured Party may exercise its right with respect to the Collateral without resorting, or regard, to other collateral or sources of reimbursement for the Continuing Guaranty. The Secured Party shall not be deemed to have waived any of its rights with respect to the Continuing Guaranty or the Collateral unless such waiver is in writing and signed by the Secured Party. No delay or omission on the part of the Secured Party in exercising any right shall operate as a waiver of such right or any other right. a waiver on any one occasion shall not bar or waive the exercise of any right on any future occasion. All rights and remedies of the Secured Party in the Continuing Guaranty or the Collateral, whether evidenced hereby or by any other instrument or papers, are cumulative and not exclusive of any remedies provided by law or any other agreement, and may be exercised separately or concurrently.

9. Expenses. The Debtor shall, on demand, pay or reimburse the Secured Party for all reasonable expenses (including attorneys' fees of outside counsel or allocation costs of in-house counsel) incurred or paid by the Secured Party in connection with the preparation, negotiation and closing, and the administration or enforcement, of this Security Agreement, its on-site periodic examinations of the Collateral and any other amounts permitted to be expended by the Secured Party hereunder, including, without limitation, such expenses as are incurred to preserve the value of the Collateral and the validity, perfection, priority and value of any security interest created hereby, the collection, sale or other disposition of any of the Collateral or the exercise by the Secured Party of any of the rights conferred upon it hereunder. The obligation to pay any such amount shall be an additional part of the liability under the Continuing Guaranty secured hereby.

10. Notices. Any demand upon or notice to the Debtor that the Secured Party may give shall be effective when delivered by hand, properly deposited in the mails

postage prepaid, or sent by telex, answerback received, or electronic facsimile transmission, receipt acknowledged, or delivered to a telegraph company or overnight courier, in each case addressed to the Debtor at the address shown at the beginning of this Security Agreement or as it appears on the books and records of the Secured Party. Demands or notices addressed to any other address at which the Secured Party customarily communicates with the Debtor also shall be effective. Any notice by the Debtor to the Secured Party shall be given as aforesaid, addressed to the Secured Party at the address shown at the beginning of this Security Agreement or such other address as the Secured Party may advise the Debtor in writing.

11. Successors and Assigns. This Security Agreement shall be binding upon the Debtor, its successors and assigns, and shall inure to the benefit of and be enforceable by the Secured Party and its successors and assigns.

12. General. This Security Agreement may not be amended or modified except by a writing signed by the Debtor and the Secured Party, nor may the Debtor assign any of its rights hereunder. This Security Agreement and the terms, covenants and conditions hereof shall be construed in accordance with, and governed by, the laws of the State of Connecticut (without giving effect to any conflicts of law provisions contained therein). In the event that any Collateral or any deposit or other sum due from or credited by the Secured Party is held or stands in the name of the Debtor and another or others jointly, the Secured Party may deal with the same for all purposes as if it belonged to or stood in the name of the Debtor alone.

13. Section Headings. Section headings are for convenience of reference only and are not a part of this Security Agreement.

14. COMMERCIAL TRANSACTION. DEBTOR ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS SECURITY AGREEMENT IS A PART IS A COMMERCIAL TRANSACTION, AND HEREBY WAIVES ITS RIGHTS TO: (1) NOTICE AND HEARING UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, OR AS OTHERWISE ALLOWED BY ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY WHICH THE SECURED PARTY MAY DESIRE TO USE, AND (2) REQUEST THAT THE SECURED PARTY POST A BOND, WITH OR WITHOUT SURETY, TO PROTECT THE DEBTOR AGAINST DAMAGES THAT MAY BE CAUSED BY ANY PREJUDGMENT REMEDY SOUGHT OR OBTAINED BY THE SECURED PARTY BY VIRTUE OF ANY DEFAULT OR PROVISION OF THIS SECURITY AGREEMENT OR UNDER EITHER OF THE GUARANTIES, THE DEBTOR FURTHER EXPRESSLY WAIVES DILIGENCE, DEMAND, PRESENTMENT, PROTEST, NOTICE OF NONPAYMENT OR PROTEST, NOTICE OF THE ACCEPTANCE OF THIS SECURITY AGREEMENT AND THE NOTES, NOTICE OF ANY OTHER ACTION TAKEN IN RELIANCE HEREON AND ALL OTHER

DEMANDS AND NOTICES OF ANY DESCRIPTION IN CONNECTION WITH THIS SECURITY AGREEMENT OR THE NOTES, ANY OF THE LIABILITIES OR OTHERWISE.

15. JURY WAIVER. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, DEBTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF THIS SECURITY AGREEMENT OR THE NOTES. DEBTOR ACKNOWLEDGES THAT THE SECURED PARTY IS RELYING ON THE FOREGOING WAIVER IN ENTERING INTO THE TRANSACTION RELATING TO THE LIABILITIES.

16. VOLUNTARY WAIVERS. DEBTOR ACKNOWLEDGES THAT IT MAKES THE WAIVERS SET FORTH IN PARAGRAPHS 14 AND 15 KNOWINGLY AND VOLUNTARILY, WITHOUT DURESS AND ONLY AFTER CONSIDERATION OF THE RAMIFICATIONS OF THOSE WAIVERS WITH ITS ATTORNEYS. DEBTOR FURTHER ACKNOWLEDGES THAT THE SECURED PARTY HAS NOT AGREED WITH OR REPRESENTED TO DEBTOR THAT THE PROVISIONS OF PARAGRAPHS 14 AND 15 WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be duly executed as an instrument under seal as of the date first written above.

DEBTOR:

HAT CITY BEVERAGES, LLC

By: Frederick J. Antous
Frederick J. Antous
Its Managing Member

SECURED PARTY:

PEOPLE'S BANK

By: Edgar S. Auchincloss
Edgar S. Auchincloss
Its Assistant Vice President

SCHEDULE A

Definitions of Collateral

“Accounts” shall mean any right to payment held by Debtor, whether in the form of accounts, accounts receivable, contracts, contract rights, notes, documents, Chattel Paper, Instruments, drafts, acceptances or other forms of obligations and receivables now or hereafter received by or belonging to Debtor for Inventory sold or leased by it or for services rendered by it whether or not earned by performance, and whether or not the same are listed on schedules, assignments or reports furnished to Secured Party from time to time, and whether such Accounts are now existing or are created or arise at any time hereafter, together with all goods, Inventory and merchandise returned by or reclaimed by or repossessed from customers wherever such goods, Inventory and merchandise are located, and all proceeds thereof, including, without limitation, proceeds of insurance thereon and all guaranties, securities, and liens which Debtor may hold for the payment of any such Accounts, including, without limitation, all rights of stoppage in transit, replevin and reclamation and all other rights and remedies of an unpaid vendor or lienor, and any liens held by Debtor as a mechanic, contractor, subcontractor, processor, materialman, machinist, manufacturer, artisan or otherwise;

“Chattel Paper” shall mean a writing or writings which evidence both a monetary obligation and a security interest in or a lease of specific goods, whether now or hereafter held by Debtor;

“Equipment” shall mean all the machinery, equipment, furniture, tools, goods and other tangible personal property, excluding Motor Vehicles and Inventory, now owned or hereafter acquired by Debtor and wherever located;

“General Intangibles” shall mean any intangible personal property (including, without limitation, things in action) now or hereafter held by Debtor, other than Accounts, Chattel paper and Instruments;

“Instruments” shall mean a negotiable instrument or a security, as defined in the Uniform Commercial Code in effect from time to time in the State of Connecticut, or any other writing which evidences a right to the repayment of money and is not itself a security agreement or lease and is of a type which, in the ordinary course of business, is transferred by delivery with any necessary endorsement or assignment, whether now or hereafter held by Debtor;

“Inventory” shall mean all goods, merchandise, raw materials, work in process, finished goods and products and other tangible personal property now owned or hereafter acquired by Debtor, wherever located, and held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in Debtor’s business;

“Motor Vehicles” shall have the same meaning as that contained in Section 14-1(47) of the General Statutes of Connecticut, as revised to 1999, as the same may be amended from time to time; and

“Trademarks” shall mean the trademarks, service marks, trademark and service mark registrations, and trademark and service mark registration applications listed on Schedule A-1 attached hereto and made a part hereof (as same may be amended, supplemented and modified hereafter), together with all goodwill of Debtor and its business, products, and services appurtenant to, associated with or symbolized by such Trademarks and the use thereof, including, without limitation, all confidential information, formulae, methods or processes, compounds, recipes, know-how, methods and operating systems, drawings, descriptions, formulations, manufacturing and production and delivery procedures, quality control procedures, product and service specifications, catalogs, price lists, and advertising materials, relating to the manufacture, production, delivery, provision or sale of goods or services under or in association with any of the Trademarks listed on Schedule A-1.

SCHEDULE A-1

Trademarks and Trademark Registrations

<u>Trademark</u>	<u>United States Registration No.</u>	<u>PTO Registration Date</u>
CHUG-IT	Registration Pending - Serial No. 75-366,536	Date filed October 1, 1997
IRIE	2,195,904	October 13, 1998
THE GOOD LIFE PUMP: THE ULTIMATE SPORTS QUENCHER	1,986,964	July 16, 1996

SCHEDULE B

ASSIGNMENT OF TRADEMARKS

WHEREAS, Hat City Beverages, LLC, a Connecticut limited liability company, having a place of business at 18½ Balmforth Avenue, Danbury, Connecticut 06810 (the "Assignor"), has adopted and used and is using the trademarks (the "Marks") identified on the Annex hereto, and is the owner of the registrations of and pending registration applications for such Marks in the United States Patent and Trademark Office identified on such Annex; and

WHEREAS, _____, having a place of business at _____, _____ (the "Assignee"), is desirous of acquiring the Marks and the registrations thereof and registration applications therefor;

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, the Assignor does hereby assign, sell and transfer unto the Assignee all right, title and interest in and to the Marks, together with (i) the registrations of and registration applications for the Marks, (ii) the goodwill of the business symbolized by and associated with the Marks and the registrations thereof, and (iii) the right to sue and recover for, and the right to profits or damages due or accrued arising out of or in connection with, any and all past, present or future infringements or dilution of or damage or injury to the Marks or the registrations thereof or such associated goodwill.

This Assignment of Trademarks is intended to and shall take effect as a sealed instrument at such time as the Assignee shall complete this instrument by inserting its name in the second paragraph above and signing its acceptance of this Assignment of Trademarks below.

IN WITNESS WHEREOF, the Assignor, by its duly authorized manager, has executed this assignment, as an instrument under seal, on this 12th day of February, 1999.

HAT CITY BEVERAGES, LLC

By: _____
Frederick J. Antous
Its Managing Member

The foregoing assignment of the Marks and the registrations thereof and registration applications therefor by the Assignor to the Assignee is hereby accepted as of the _____ day of _____, ____.

ASSIGNEE:

By: _____
Name:
Title:

STATE OF CONNECTICUT)
) ss: Waterbury
COUNTY OF NEW HAVEN)

On this the 12th day of February, 1999, before me appeared Frederick J. Antous, the person who signed this instrument, who acknowledged that he is the Managing Member of Hat City Beverages, LLC, a Connecticut limited liability company, and that being duly authorized he signed such instrument as a free act on behalf of Hat City Beverages, LLC.

Robert J. Yamin
Commissioner of the Superior Court

ANNEX

<u>Trademark</u>	<u>United States Registration No.</u>	<u>PTO Registration Date</u>
CHUG-IT	Registration Pending - Serial No. 75-366,536	Date filed October 1, 1997
IRIE	2,195,904	October 13, 1998
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