

07-20-1999



VER SHEET

ONLY

Docket No.:

4229-G-7

J. 19. 99

Tab settings

To the Honorable Commissic

101095542

record the attached original documents or copy thereof.

1. Name of conveying party(ies):

BHF-Bank Aktiengesellschaft (as Collateral Agent for creditors of borrower Nelson Nutraceutical, Inc.)

- Individual(s)
- General Partnership
- Corporation-State
- Other German Joint Stock Corp.
- Association
- Limited Partnership

Additional names(s) of conveying party(ies) Yes No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other Amendment to Credit Agreement
- Merger
- Change of Name

Execution Date: June 18, 1999

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

Name: BHF (USA) Capital Corp.

Internal Address: _____

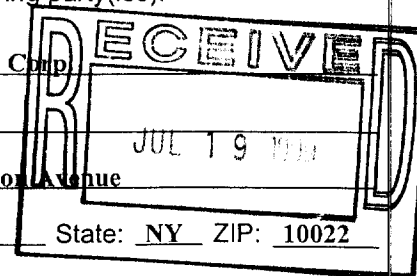
Street Address: 590 Madison Avenue

City: New York

State: NY ZIP: 10022

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

If assignee is not domiciled in the United States, a domestic designation is Yes N
(Designations must be a separate document from Additional name(s) & address(es) Yes N



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

A. Trademark Application No.(s)

74/303,554 74/193,721
74/508,474
74/547,435

B. Trademark Registration No.(s)

1,024,791 1,067,368 1,194,831 1,422,152
1,006,774 1,069,071 1,228,648 1,799,038
1,064,974 1,117,822 1,214,876 1,755,545

Additional numbers Yes No

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

Name: Ronald E. Brown

Internal Address: Kane, Dalsimer, Sullivan, Kurucz, Levy,
Eisele and Richard, LLP

Street Address: 711 Third Avenue
20th Floor

City: New York State: NY ZIP: 10017

6. Total number of applications and registrations involved:.....

16

7. Total fee (37 CFR 3.41):.....\$ \$415.00

- Enclosed - Any excess or insufficiency should be credited or debited to deposit account
- Authorized to be charged to deposit account

8. Deposit account number:

11-0215, Order No. 4229-G-7

DO NOT USE THIS SPACE

07/20/1999 MTHA11 00000066 74303554

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

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.

Ronald E. Brown

Name of Person Signing

Ronald E. Brown

Signature

July 15, 1999

Date

28

Total number of pages including cover sheet, attachments, and

TRADEMARK

REEL: 001928 FRAME: 0556

AMENDMENT NO. 1 TO

CREDIT AGREEMENT

among

NELSON NUTRACEUTICAL, INC.
a Delaware corporation

**THE FINANCIAL INSTITUTIONS FROM TIME
TO TIME PARTIES HERETO**

and

BHF-BANK AKTIENGESELLSCHAFT,
as Lender and Agent for the Lenders,

and

BHF (USA) CAPITAL CORPORATION

As of June 18, 1999

AMENDMENT NO 1. TO CREDIT AGREEMENT

This Amendment No. 1 to Credit Agreement (as defined below) and this "**Amendment**") dated as of June 18, 1999 is made by and among Nellson Nutraceutical, Inc., a Delaware corporation (the "**Borrower**"), the financial institutions from time to time party thereto (each a "**Lender**," and together with BHF (acting in the capacity of a Lender) and any further lenders from time to time party hereto, collectively, the "**Lenders**"), BHF-BANK AKTIENGESELLSCHAFT, as a Lender and as Agent for the Lenders ("**BHF**"), and BHF (USA) Capital Corporation ("**BHFCC**").

WHEREAS, the Borrower, the Lenders from time to time party thereto and BHF entered into that certain CREDIT AGREEMENT dated as of August 28, 1998 (as amended to date, the "**Credit Agreement**") and the other Loan Documents (as defined in the Credit Agreement), pursuant to which BHF and the other Lenders made available to the Borrower loans in the aggregate principal amount of up to \$14,000,000;

WHEREAS, in connection with the assignment by BHF of its rights, powers, duties and obligations under the Credit Agreement and the other Loan Documents to BHFCC and in order to effectuate certain related amendments to the Credit Agreement and other Loan Documents related thereto, the parties hereto have agreed to amend the Credit Agreement and related Loan Documents as provided for herein.

WHEREAS, capitalized terms used but not defined herein shall have the meaning specified in the Credit Agreement, as amended to date.

NOW THEREFORE, in consideration of the foregoing and for other consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

I. AMENDMENTS

1. **Section 2.04** of the Credit Agreement shall be amended by adding a new subsection (j) as follows:

(j) **Change of Issuing Bank.** It is understood by the Borrower that during the term of this Agreement, BHF may cease acting as the Issuing Bank. Accordingly, in the absence of the agreement by BHF or another Lender to act as the Issuing Bank hereunder, in order to assist the Borrower in opening Letters of Credit with the Issuing Bank, the Borrower has requested the Lenders to guaranty payment and performance of such Letters of Credit and any drafts thereunder through the issuance of a Letter of Credit Guaranty, thereby lending the Lenders' credit to that of the Borrower, and the Lenders hereby agree to do so. These arrangements shall be coordinated by the Agent subject to the terms and conditions set forth below. The Borrower will be account party for each application for a Letter of Credit, which shall be in form and substance reasonably satisfactory to the Issuing Bank and the Agent, and for such other certificates, agreements, documents and other papers and information as the Issuing Bank or the Agent may reasonably request. In the event of any conflict between the terms of the foregoing application and other documents, on the one hand, and this Agreement, on the other hand, for purposes of this Agreement, the terms of this Agreement shall control. The Agent shall have the right, without notice to the Borrower, to incur a Borrowing on behalf of the Borrower as a Revolving Loan in the amount of any and all indebtedness, liabilities and obligations of any kind incurred by the Lenders, or any of them, under the Letter of Credit Guaranty or incurred by the Issuing Bank with respect to the Letter of Credit (and payable by the Lenders, or any of them, to such Issuing Bank under a Letter of Credit Guaranty), all upon the payment by any Lender under the Letter of Credit Guaranty. Any amount so borrowed shall be deemed a Revolving Loan hereunder made by Lenders to the Borrower subject to the terms and conditions hereof, including, without limitation, Section 2.01 hereof. Each of the Lenders and the Borrower agrees that the Agent shall have the right to make such Revolving Loan(s) regardless of whether any Event of Default shall have occurred or be continuing or whether any of the conditions precedent in Section 5.01, 5.02 and 5.03 shall be satisfied. Upon any payments made to the Issuing Bank under the Letter of Credit Guaranty, each of the Lenders shall, without prejudice to its rights under this Agreement (including that such unreimbursed amounts shall constitute Revolving Loans hereunder) acquire by subrogation any rights, remedies, duties or obligations granted or undertaken by the Borrower in favor of the Issuing Bank in any application for Letters of Credit or any standing agreement relating to Letters of Credit or otherwise, all of which shall be deemed to be granted to the Lenders and apply in all respects to the Lenders and shall be in addition to any rights, remedies, duties or obligations contained herein. In the event that any fees reasonably incurred in connection with the issuance of such Letters of Credit should exceed the aggregate of the regular Issuing Bank charges

and Letter of Credit fees set forth in Sections 2.04(g) and 4.03(b) (respectively) hereof, such excess fees shall be paid by the Agent.

2. In **Section 1.01** of the Credit Agreement the definition of "Base Rate" shall be deleted in its entirety and restated to read as follows:

"Base Rate" at any time shall mean the higher of (i) the rate which is 2% in excess of the Federal Funds Effective Rate and (ii) the rate per annum listed in the "Money Rates" section of the Wall Street Journal as the "prime rate" (if the Wall Street Journal ceases publication of such rate, then the Base Rate shall mean such rate selected by the Agent in its reasonable judgment as most nearly approximates the foregoing), such changes in the Base Rate being effective simultaneously with the change in the "prime rate" as so published or selected. The Base Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. BHFCC may make commercial loans or other loans at rates of interest at, above or below the Base Rate.

3. In **Section 1.01** of the Credit Agreement the definition of "Eurodollar Rate" shall be deleted in its entirety and restated to read as follows:

"Eurodollar Rate" means, with respect to any Interest Period, the rate per annum (and, in the case of any determination based on an arithmetic mean, rounded upward, if necessary, to the nearest one-sixteenth of one percent), determined by the Agent in accordance with its usual procedures, equal at all times during such Interest Period to: (i) the London Interbank Eurodollar market offered rate for Dollar deposits for a time period equal to such Interest Period appearing on the display designated "Page 3750" on the Telerate Service (or such other page as may replace page 3750 on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purposes of displaying British Bankers' Association Interest Settlement Rates for Dollar deposits), as of 11:00 a.m. (London time) on the date that is [three] Business Days prior to the first day of such Interest Period; or (ii) if the foregoing method of determining the Eurodollar Rate is not available, the arithmetic mean of the London Interbank Eurodollar Market offered rates for Dollar deposits for a time period equal to such Interest Period appearing on the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of deposits), as of 11:00 a.m. (London time) on the date that is [three] Business Days prior to the first day of such Interest Period; or (iii) if neither of the foregoing methods for determining the Eurodollar Rate is available, a rate for such Interest Period, reasonably determined by the Agent as the rate then being paid by prime banks in London Interbank Eurodollar Market, as of approximately 11:00 a.m. (London time) on the date that is three Business Days prior to the first day of such Interest Period for Dollar deposits having a maturity comparable to such Interest Period

and in an amount comparable to the amount of the Loan subject to such Interest Period; or (iv) if no such rate is then ascertainable, a rate reasonably determined by the Agent. The Agent's reasonable determination of the Eurodollar Rate in accordance with the provisions of this definition shall be conclusive and binding upon the Borrower whether or not such deposits are actually acquired by the Agent or the Lenders.

4. In **Section 1.01** of the Credit Agreement the definition of "Issuing Bank" shall be deleted in its entirety and restated to read as follows:

"Issuing Bank" shall mean a Lender or such other domestic commercial bank of recognized standing having capital and surplus in excess of \$500,000,000 selected by the Borrower and acceptable to the Agent, in any case, which has agreed to act as Issuing Bank hereunder.

5. **Section 1.01** of the Credit Agreement shall be further amended by adding the definition of "Letter of Credit Guaranty" as follows:

"Letter of Credit Guaranty" shall mean one or more guarantees by the Lenders, or any of them, in favor of the Letter of Credit Issuer guaranteeing the Borrower's obligations to the Letter of Credit Issuer under the reimbursement agreement, letter of credit application or other like documentation in respect of any Letter of Credit.

II. AGREEMENTS

1. The Borrower hereby acknowledges and agrees as of the Effective Date (as defined below) as follows:

A. The Borrower hereby consents to the assignment by BHF to BHFCC of all of BHF's rights, powers, duties and obligations heretofore vested in BHF under the Credit Agreement and the related Loan Documents. The Borrower hereby discharges and releases BHF from all such duties and obligations. BHF, the Borrower and BHFCC acknowledge and agree that BHF shall have no further rights, powers, duties or obligations in respect of the Credit Agreement and the related Loan Documents, but rather that all of such rights, powers, duties and obligations will be vested in BHFCC.

B. All references in the Credit Agreement and the related Loan Documents to "BHF-BANK Aktiengesellschaft" or "BHF" or words of like effect shall be references to "BHFCC" or "BHF (USA) Capital Corporation".

C. In connection with Section 13.10 of the Credit Agreement all notices to BHFCC shall be sent to the address and numbers specified in Appendix I attached hereto. Payments to BHFCC shall be sent to the account specified in Appendix II attached hereto.

2. The Borrower hereby agrees that, from and after the Effective Date, upon the reasonable request of BHFCC, it shall execute, acknowledge and deliver such further instruments of conveyance and assurance and do such other things as may be required for more fully and certainly vesting and confirming in BHFCC all of the rights, powers, duties and obligations of BHF under the Credit Agreement and the related Loan Documents. Without limiting the generality of the foregoing, the Borrower will execute and deliver to BHF and BHFCC any amendments to or assignments of the Notes, the Security Agreement, any additional security documents, the Trademark Security Agreement, UCC financing statements, insurance certificates and any further documents that BHFCC deems reasonably necessary to effectuate the foregoing.

III. REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants as follows:

1. The execution, delivery and performance by the Borrower of this Amendment (a) are within its corporate power; (b) have been duly authorized by all corporate and shareholder or other necessary action; (c) are not in contravention of any provision of its certificate of incorporation or bylaws or other documents of organization; (d) do not violate any law or regulation, or any order or decree of any Governmental Agency; and (e) do not conflict with or result in the breach or termination of, constitute a default under or accelerate any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such party is a party or by which it or any of its respective property is bound; and

2. This Amendment has been duly executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights and remedies in general.

IV. PLEDGOR'S CONSENT

The undersigned Pledgor, in its capacity as Pledgor under the Pledge Agreement (the "**Pledge**"), hereby agrees and consents to the amendments as set forth herein and hereby ratifies and confirms the Pledge in all respects, after giving effect to the amendments set forth herein.

V. MISCELLANEOUS

1. This Amendment shall become effective as of 5:00 p.m. Eastern Standard Time on June 18, 1999 unless, on or before such date, BHF has given notice to the Borrower substantially in the form attached hereto as Appendix III, in which case this Amendment shall become effective as specified in the notice (the "**Effective Date**").

2. On or before the Effective Date, (a) all Letters of Credit issued by BHF under the Credit Agreement and which are outstanding on the Effective Date, will be

transferred internally on the books and records of BHF to the head office of BHF-BANK Aktiengesellschaft or to one of its other branches and (b) BHFCC shall add its confirmation to such Letters of Credit, pursuant to which drawings under such Letters of Credit may be effected at the offices of BHFCC or such head office or such other branch (as the case may be), in the relevant beneficiary's discretion. BHF or BHFCC shall so notify the beneficiaries of such Letters of Credit.

3. BHF and BHFCC hereby agree, affirm, represent and warrant that pursuant to an assignment and assumption agreement to be entered into by BHF and BHFCC on or prior to the Effective Date, as of the Effective Date, BHF will assign to BHFCC, and BHFCC will assume from BHF, all of BHF's rights, powers, duties and obligations heretofore vested in BHF under the Credit Agreement and the related Loan Documents.

4. Each of the undersigned other than the Lenders (the "**Parties**"), acknowledges and confirms to BHFCC and the Lenders that the Credit Agreement and each related Credit Document to which it is a party shall remain in full force and effect and shall continue to evidence, secure or otherwise guarantee and support the obligations owing by the Borrower to the Lenders pursuant thereto, as hereby amended, and the Notes delivered in accordance with the Credit Agreement.

5. Each of the Parties acknowledges and reaffirms that (i) the Liens granted to the Collateral Agent for the benefit of the Lenders under the Security Agreement and any additional security documents remain in full force and effect and shall continue to secure the obligations of the Borrower arising under the Credit Agreement, as hereby amended, and related Loan Documents, and (ii) the validity, perfection or priority of the Liens will not be impaired by the execution and delivery of this Amendment.

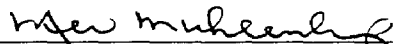
6. All references in the Loan Documents to the Credit Agreement shall, as of the Effective Date, be deemed to refer to the Credit Agreement, as amended by this Amendment, *mutatis mutandis*.

7. This Amendment may be executed in any number of counterparts, including by telecopy, and by the various parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

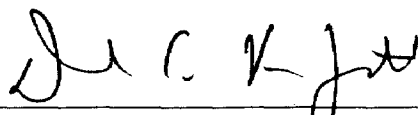
8. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS CONFLICTS OF LAWS PRINCIPLES AND SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF THE SUCCESSORS AND ASSIGNS OF THE PARTIES HERETO.

IN WITNESS WHEREOF, the parties hereto, in their respective capacities under the agreements to which they are a party, by their officers duly authorized, have executed this Amendment as of the date first above written.

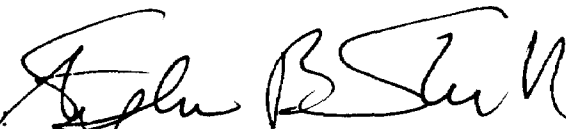
NELSON NUTRACEUTICAL, INC.

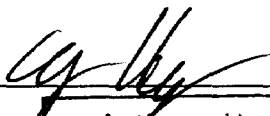
By: 
Name: Ben Muhlenkamp
Title: Chief Executive Officer

NC HOLDINGS, INC.
as Pledgor

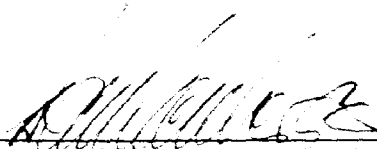
By: 
Name: David E. Van Zandt
Title: President


BHF-BANK AKTIENGESELLSCHAFT
Individually and as
Agent for the Lenders

By: 
Name: Stephen B. Shelton
Title: Vice President

By: 
Name: Anthony Heyman
Title: Assistant Vice President

BHF (USA) CAPITAL CORPORATION

By: 
Name: Burkhard Frankenberger
Title: Managing Director

By: 
Name: Wolfgang Boeker
Title: Treasurer

ADDRESS FOR NOTICES

TO: BHF (USA) CAPITAL CORPORATION

590 Madison Avenue
New York, New York 10022

Telecopier: (212) 756-5536
Attention: Stephen B. Shelton

**ACCOUNT INFORMATION FOR
BHF (USA) CAPITAL CORPORATION**

ACCOUNT INFORMATION FOR
BHF (USA) CAPITAL CORPORATION

ABA #: 021-000-018

Bank Name: Bank of New York

City: New York, New York

Account Name: BHF (USA) Capital Corporation

Account Number: 890-0388-935

FORM OF NOTICE TO BORROWER

To: NELLSON NUTRACEUTICAL, INC.
5801 Ayala Avenue
Irwindale, California 91706

Reference is made to the Amendment No. 1 to Credit Agreement dated as of [_____, 1999] (the "Amendment"), by and among BHF-BANK Aktiengesellschaft ("BHF"), BHF (USA) Capital Corporation ("BHFCC"), the financial institutions from time to time party thereto and Nellson Nutraceutical, Inc. (the "Borrower") in connection with the Credit Agreement, dated as of August 28, 1998 (the "Credit Agreement"), among BHF, the financial institutions from time to time party thereto and the Borrower.

Notice is hereby given in accordance with the Amendment that effective as of ____:____m. Eastern Standard Time on [_____, 1999] (the "Effective Date"), BHF has assigned to BHFCC of all of its rights, powers, duties and obligations under the Credit Agreement and BHFCC has accepted and assumed such rights, powers, duties and obligations.

BHF-BANK AKTIENGESELLSCHAFT

By: _____
Name:
Title:

By: _____
Name:
Title:

TRADEMARK SECURITY AGREEMENT

THIS TRADEMARK SECURITY AGREEMENT (as amended, supplemented or otherwise modified from time to time, this "Agreement"), dated as of August 28, 1998, between NELLSON NUTRACEUTICAL, INC. (with its successors and permitted assigns, the "Grantor"), and BHF-BANK AKTIENGESELLSCHAFT, in its capacity as agent (with its successors in such capacity, the "Agent") for the Lenders (as defined below (party to that certain Credit Agreement dated as of August 28, 1998 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") among the Grantor, the Agent and the financial institutions from time to time parties thereto (the "Lenders"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to such terms in the Credit Agreement.

WITNESSETH:

WHEREAS, pursuant to the terms of the Credit Agreement, the Lenders have agreed to make certain loans to or for the benefit of the Grantor;

WHEREAS, the Grantor and the Agent are parties to that certain Security Agreement of even date herewith (as the same may hereafter be amended, restated, supplemented or otherwise modified from time to time, the "Security Agreement"), pursuant to which the Grantor has granted a security interest in certain of its assets to the Agent for the ratable benefit of the Lenders and the other Holders; and

WHEREAS, in order to secure the prompt and complete payment, observance and performance of (i) all of the Obligations and (ii) all of the Grantor's obligations and liabilities hereunder and in connection herewith (all the Obligations and such obligations and liabilities hereunder being hereinafter referred to collectively as the "Liabilities"), the Agent and the Lenders have required as a condition, among others, to entering into the Credit Agreement that the Grantor execute and deliver this Agreement;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms.

(a) The words "hereof," "herein" and "hereunder" and words of like import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section references are to this Agreement unless otherwise specified.

(b) All terms defined in this Agreement in the singular shall have comparable meanings when used in the plural, and vice versa, unless otherwise specified.

2. Incorporation of the Security Agreement. The Security Agreement and the terms and provisions thereof are hereby incorporated herein in their entirety by this reference thereto.

3. Incorporation of Premises. The premises set forth above are incorporated into this Agreement by this reference thereto and are made a part hereof.

4. Security Interest in Trademarks. To secure the complete and timely payment, performance and satisfaction of all of the Liabilities, the Grantor hereby grants to the Agent, for the ratable benefit of the Lenders and the other Holders, a security interest in, as and by way of a first mortgage and security interest having priority over all other security interests, with power of sale to the extent permitted by applicable law, all of the Grantor's now owned and hereafter acquired:

(i) trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications, including, without limitation, the trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications listed on Schedule A attached hereto and made a part hereof, and (a) all renewals thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (c) the right to sue for past, present and future infringements and dilutions thereof, (d) the goodwill of the Grantor's business symbolized by the foregoing and connected therewith, and (e) all of the Grantor's rights corresponding thereto throughout the world (all of the foregoing trademarks, registered trademarks and trademark applications, and service marks, registered service marks and service mark applications, together with the items described in clauses (a)-(e) in this paragraph 4(i), are sometimes hereinafter individually and/or collectively referred to as the "Trademarks"); and

(ii) rights under or interest in any trademark license agreements or service mark license agreements with any other party, whether the Grantor is a licensee or licensor under any such license agreement, including, without limitation, those trademark license agreements and service mark license agreements listed on Schedule B attached hereto and made a part hereof, in each case to the extent assignable without violation thereof, together with any goodwill connected with and symbolized by any such trademark license agreements or service mark license agreements, and the right to prepare for sale and sell any and all Inventory now or hereafter owned by the Grantor and now or hereafter covered by such licenses (all of the foregoing are hereinafter referred to collectively as the "Licenses").

The Grantor hereby authorizes the Agent to file this Agreement, or a duplicate thereof, with the United States Patent and Trademark Office or with any other authority the Agent deems appropriate, and the Grantor agrees to cooperate with the Agent as the Agent may request in order to effectuate such filing or filings.

5. Restrictions on Future Agreements. The Grantor agrees that it will not take any action, and will use its best efforts not to permit any action to be taken by others, including, without limitation, licensees, or fail to take any action, which could reasonably be expected to have a material adverse effect on the validity or enforcement of the rights collaterally assigned to the Agent under this Agreement or the rights associated with any material Trademarks or Licenses, and in particular, the Grantor will not permit to lapse or become abandoned any Trademark or License if such lapse or abandonment could reasonably be expected to have a Material Adverse Effect.

6. New Trademarks and Licenses. The Grantor represents and warrants that, as of the Closing Date, to the best of its knowledge after reasonable inquiry, (a) the Trademarks listed on Schedule A include all of the registered trademarks, trademark applications, registered service marks and service mark applications now owned or held by the Grantor, (b) the Licenses listed on Schedule B include all of the trademark license agreements and service mark license agreements under which the Grantor is the licensee or licensor and which are material individually or in the aggregate to the operation of the business of the Grantor and (c) other than the rights of any party to the Licenses with respect to the Trademarks, no liens, claims or security interests in such Trademarks and Licenses have been granted by the Grantor to any Person other than the Agent. If, prior to the termination of this Agreement, the Grantor shall (i) obtain rights to any new trademarks, registered trademarks, trademark applications, service marks, registered service marks or service mark applications, (ii) become entitled to the benefit of any trademarks, registered trademarks, trademark applications, trademark licenses, trademark license renewals, service marks, registered service marks, service mark applications, service mark licenses or service mark license renewals, whether as licensee or licensor, or (iii) enter into any new trademark license agreement or service mark license agreement, the provisions of paragraph 4 above shall automatically apply thereto (but only, in the case of trademark licenses and service mark licenses where the Grantor is the licensee, to the extent such licenses are assignable without violation thereof, it being understood and agreed that the Grantor shall use commercially reasonable efforts to ensure that such licenses are assignable for security purposes). The Grantor shall give to the Agent written notice, to the best of its knowledge after reasonable inquiry, of events described in clauses (i), (ii) and (iii) of the preceding sentence not less frequently than on an annual basis. The Grantor hereby authorizes the Agent to modify this Agreement unilaterally (i) by amending Schedule A to include any future trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications owned or held by the Grantor or to prepare this Agreement for filing with the Patent and Trademark Office and by amending Schedule B to include any trademark license agreements and service mark license agreements (A) to which the Grantor becomes a party, and (B) which are Trademarks or Licenses under paragraph 4 above or under this paragraph 6, and (ii) by filing, in addition to and not in substitution for this Agreement, a duplicate original of, or a Notice of Amendment to, this Agreement containing on Schedule A or B thereto, as the case may be, such future trademarks,

registered trademarks, trademark applications, service marks, registered service marks and service mark applications, and trademark license agreements and service mark license agreements.

7. Royalties. The Grantor hereby agrees that if an Event of Default has occurred and is continuing the use by the Agent of the Trademarks and Licenses as authorized hereunder in connection with the Agent's exercise of its rights and remedies under paragraph 15 or pursuant to Section 7 of the Security Agreement shall be coextensive with the Grantor's rights thereunder and with respect thereto and without any liability for royalties or other related charges from the Agent, the Lenders or the other Holders to the Grantor.

8. Further Assignments and Security Interests. Except as provided in Section 9.02 of the Credit Agreement, the Grantor agrees not to sell or assign its respective interests in, or grant any license under, the Trademarks or the Licenses without the prior and express written consent of the Agent.

9. Nature and Continuation of the Agent's Security Interest; Termination of the Agent's Security Interest; Release of Collateral.

(a) This Agreement is made for collateral security purposes only. This Agreement shall create a continuing security interest in the Trademarks and Licenses and shall terminate only when the Liabilities have been paid in full in cash and the Credit Agreement has been terminated. Upon such termination and at the written request of the Grantor or its successors or assigns, and at the cost and expense of the Grantor or its successors or assigns, the Agent shall execute in a timely manner such instruments, documents or agreements as are necessary or desirable to terminate the Agent's security interest in the Trademarks and the Licenses, subject to any disposition thereof which may have been made by the Agent pursuant to this Agreement or the Security Agreement.

(b) Notwithstanding anything in this Agreement to the contrary, the Grantor may, to the extent permitted by Section 9.02 of the Credit Agreement, sell, assign, transfer or otherwise dispose of any Trademarks and any Licenses. In addition, the Trademarks and Licenses shall be subject to release from time to time (with the Trademarks and Licenses referred to in the immediately preceding sentence, the "Released Collateral") in accordance with Section 12.09(b) of the Credit Agreement. The Liens under this Agreement shall terminate with respect to the Released Collateral upon such sale, transfer, assignment, disposition or release, and upon the request of the Grantor, the Agent shall execute and deliver such instrument or document as may be necessary to release the Liens granted hereunder; provided, however, that (i) the Agent shall not be required to execute any such documents on terms which, in the Agent's opinion, would expose the Agent to liability or create any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Liabilities or any Liens on (or obligations of the Grantor in respect of) all interests retained by the Grantor, including without limitation, the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

10. Duties of the Grantor. The Grantor shall have the duty, to the extent desirable in the normal conduct of the Grantor's business, to: (i) prosecute diligently any material trademark application or service mark application that is part of the Trademarks pending as of the date hereof or hereafter until the termination of this Agreement, and (ii) make application for the registration of trademarks or service marks used or adopted by the Grantor. The Grantor further agrees (i) not to abandon any Trademark or License if such abandonment could reasonably be expected to have a Material Adverse Effect without the prior written consent of the Agent, and (ii) to use its reasonable best efforts to obtain and maintain in full force and effect the Trademarks and the Licenses that are or shall be necessary or economically desirable in the operation of the Grantor's business. Any expenses incurred in connection with the foregoing shall be borne by the Grantor. None of the Agent or the Lenders or shall have any duty with respect to the Trademarks and Licenses. Without limiting the generality of the foregoing, none of the Agent or the Lenders shall be under any obligation to take any steps necessary to preserve rights in the Trademarks or Licenses against any other parties, but the Agent may do so at its option from and after the occurrence of an Event of Default, and all expenses incurred in connection therewith shall be for the sole account of the Grantor and shall be added to the Liabilities secured hereby.

11. The Agent's Right to Sue. Upon the occurrence and during the continuance of an Event of Default, the Agent shall have the right, but shall not be obligated, to bring suit in its own name to enforce the Trademarks and the Licenses and, if the Agent shall commence any such suit, the Grantor shall, at the request of the Agent, do any and all lawful acts and execute any and all proper documents required by the Agent in aid of such enforcement. The Grantor shall, upon demand, promptly reimburse the Agent for all costs and expenses incurred by the Agent in the exercise of its rights under this paragraph 11 (including, without limitation, reasonable fees and expenses of attorneys and paralegals for the Agent).

12. Waivers. The Agent's failure, at any time or times hereafter, to require strict performance by the Grantor of any provision of this Agreement shall not waive, affect or diminish any right of the Agent thereafter to demand strict compliance and performance therewith nor shall any course of dealing between the Grantor and the Agent have such effect. No single or partial exercise of any right hereunder shall preclude any other or further exercise thereof or the exercise of any other right. None of the undertakings, agreements, warranties, covenants and representations of the Grantor contained in this Agreement shall be deemed to have been suspended or waived by the Agent unless such suspension or waiver is in writing signed by an officer of the Agent and directed to the Grantor specifying such suspension or waiver.

13. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but the provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part hereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

14. Modification. This Agreement cannot be altered, amended or modified in any way, except as specifically provided in paragraph 6 hereof or by a writing signed by the parties hereto.

15. Cumulative Remedies; Power of Attorney. The Grantor hereby irrevocably designates, constitutes and appoints the Agent (and all Persons designated by the Agent in its sole and absolute discretion) as the Grantor's true and lawful attorney-in-fact, and authorizes the Agent and any of the Agent's designees, in the Grantor's or the Agent's name, to take any action and execute any instrument which the Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, upon the occurrence and during the continuance of an Event of Default and the giving by the Agent of notice to the Grantor of the Agent's intention to enforce its rights and claims against the Grantor, to (i) endorse the Grantor's name on all applications, documents, papers and instruments necessary or desirable for the Agent in the use, prosecution or protection of the Trademarks or the Licenses, (ii) assign, pledge, convey or otherwise transfer title in or dispose of the Trademarks or the Licenses to anyone on commercially reasonable terms (but subject to the terms thereof), (iii) grant or issue any exclusive or nonexclusive license under the Trademarks or under the Licenses, to anyone on commercially reasonable terms (but only, in the case of Licenses, to the extent permitted under such Licenses), and (iv) take any other actions with respect to the Trademarks or, to the extent permitted, the Licenses as the Agent deems in the best interest of the Lenders. The Grantor hereby ratifies all that such attorney shall lawfully do or, to the extent permitted, cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable until all of the Obligations shall have been paid in full in cash and the Credit Agreement shall have been terminated. The Grantor acknowledges and agrees that this Agreement is not intended to limit or restrict in any way the rights and remedies of the Agent or the Lenders under the Loan Documents, but rather is intended to facilitate the exercise of such rights and remedies.

The Agent shall have, in addition to all other rights and remedies given it by the terms of this Agreement, all rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Trademarks or the Licenses may be located or deemed located. Upon the occurrence and during the continuance of an Event of Default and the election by the Agent to exercise any of its remedies under Section 9-504 or Section 9-505 of the Uniform Commercial Code with respect to the Trademarks and Licenses, the Grantor agrees to assign, convey and otherwise transfer title in and to the Trademarks and the Licenses to the Agent or any transferee of the Agent and to execute and deliver to the Agent or any such transferee all such agreements, documents and instruments as may be necessary, in the Agent's sole discretion exercised in a commercially reasonable manner, to effect such assignment, conveyance and transfer. All of the Agent's rights and remedies with respect to the Trademarks and the Licenses, whether established hereby, by the Security Agreement, by any other agreements or by law, shall be cumulative and may be exercised separately or concurrently. Notwithstanding anything set forth herein to the contrary, it is hereby expressly agreed that upon the occurrence and during the continuance of an Event of Default, the Agent may exercise any of the rights and remedies provided in this Agreement, the Security Agreement and any of the other Loan Documents. The Grantor agrees that any notification of intended disposition of any of the Trademarks and Licenses required by law shall be deemed

reasonably and properly given if given at least ten (10) days before such disposition; provided, however, that the Agent may give any shorter notice that is commercially reasonable under the circumstances.

16. Successors and Assigns. This Agreement shall be binding upon the Grantor and its successors and assigns, and shall inure to the benefit of each of the Agent and the Lenders, and each of all of their nominees, successors and assigns. The Grantor's successors and assigns shall include, without limitation, a receiver, trustee or debtor-in-possession of or for the Grantor; provided, however, that the Grantor shall not voluntarily assign or transfer its rights or obligations hereunder without the Agent's prior written consent.

17. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, EXCEPT FOR PERFECTION AND ENFORCEMENT OF SECURITY INTERESTS AND LIENS IN OTHER JURISDICTIONS WHICH SHALL BE GOVERNED BY THE LAWS OF THOSE JURISDICTIONS.

18. Notices. All notices or other communications hereunder shall be given in the manner and to the addresses set forth in Section 13.10 of the Credit Agreement.

19. Section Titles. The section titles herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

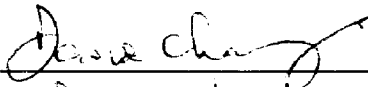
20. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

21. Consent to Jurisdiction and Service of Process. The Grantor agrees that the terms of Section 13.20 of the Credit Agreement with respect to consent to jurisdiction and service of process shall apply equally to this Agreement.

22. WAIVER OF JURY TRIAL. EACH OF THE GRANTOR AND THE AGENT WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE AGENT AND THE GRANTOR ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH. EITHER THE GRANTOR OR THE AGENT MAY FILE AN ORIGINAL COUNTERPART OR COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

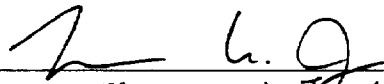
IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

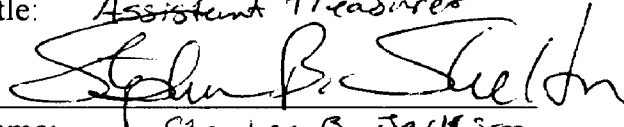
NELSON NUTRACEUTICAL, INC.

By: 
Name: David Chaimowitz
Title: v.p. Chief financial officer

Accepted and agreed to as of the day and year first above written.

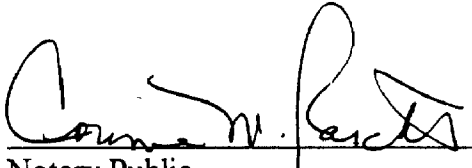
BHF-BANK AKTIENGESELLSCHAFT,
as Agent

By: 
Name: Marcus W. Jackson
Title: Assistant Treasurer

By: 
Name: Stephen B. Jackson
Title: Vice President

STATE OF NEW YORK)
) SS
COUNTY OF NEW YORK)

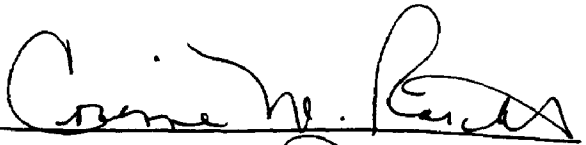
On the 28th day of August, 1998, before me personally came David Chaimowitz,
to me known, who being by me duly sworn, did depose and say that he/she resides at
4009 Coldwater Canyon Ave, Studio City, CA 91604; that he/she is a
V.P. Chief Financial Officer of NELLSON NUTRACEUTICAL, INC., the corporation described in
and which accepted and agreed to the foregoing instrument; and that he/she signed his/her name
thereto by authority of the managing member of said corporation.


Notary Public

CORINNE M. RAICHT
Notary Public, State of New York
No. 4985516
Qualified in Westchester County
Qualified in New York County
Commission Expires Aug. 19, 1999

STATE OF NEW YORK)
) SS
COUNTY OF NEW YORK)

On the 27th day of August, 1998, before me personally came Marcus W. Jansson to me known, who being by me duly sworn, did depose and say that he/she resides at 71 West 109th Street Apt. 4B, New York, NY 10025; that he/she is an Assistant Treasurer of BHF-BANK AKTIENGESELLSCHAFT, the Agent described in and which accepted and agreed to the foregoing instrument; and that he/she signed his/her name thereto by authority of the Appropriate Body of said Agent.

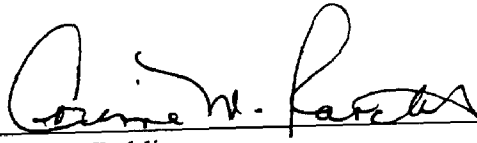


Notary Public

CORINNE M. RAICHT
Notary Public, State of New York
No. 4985516
Qualified in Westchester County
Qualified in New York County
Commission Expires Aug. 19, 1999

STATE OF NEW YORK)
) SS
COUNTY OF NEW YORK)

On the 28th day of August, 1998, before me personally came Stephen B. Shelton,
to me known, who being by me duly sworn, did depose and say that he/she resides at
3 Raphael Way, Westport, CT 06880; that he/she is a Vice President of
BHF-BANK AKTIENGESELLSCHAFT, the Agent described in and which accepted
and agreed to the foregoing instrument; and that he/she signed his/her name thereto by authority
of the Appropriate Body of said Agent.



Notary Public

CORINNE M. RAICHT
Notary Public, State of New York
No. 4985516
Qualified in Westchester County
Qualified in New York County
Commission Expires Aug. 19, 1999

SCHEDULE A
TO
TRADEMARK SECURITY AGREEMENT

Dated as of August 28 1998

Trademarks, etc., and Applications

SEE ATTACHED PAGE

Schedule A
to Trademark Security Agreement
TRADEMARKS AND TRADEMARK APPLICATIONS AND REGISTRATIONS

Trademark	Registration/Serial No.
REGAIN	SN74/303554
NUBAR	SN74/508474
SUPPLA-CAL	SN74/547435
MUNCH MOUTH	1024791
TASTEE TART	1006774
HARVEST HARTS	1064974
SUDDEN SODA	1067368
KRAZY KANDY	1069071
CARB-O-NATED	1117822
POWA-COLA	1194831
GOLDFINGER	1228648
NELLIE	1214876
RASBERRY	1422152
NCI	1799038
NELSON CANDIES	SN74/193721
NELLIE	1755545

SCHEDULE B
TO
TRADEMARK SECURITY AGREEMENT

Dated as of August 27, 1998

License Agreements

LICENSES FROM THE GRANTOR TO OTHER COMPANIES

None

LICENSES FROM OTHER COMPANIES TO THE GRANTOR

None