

03-09-2000

Docket No.:

4229-G-9A



101285229

uments or copy thereof.

Tab settings

To the Honorable Commissioner of Patents and Trademarks:

1. Name of conveying party(ies): 2100 FEB -1 AM 10: 26

Figi Graphics, Inc.

OPR/FINANCE

- Individual(s)
- General Partnership
- Corporation-State Nevada
- Other

- Association
- Limited Partnership

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

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other Amended and Restated Security Agreement

- Merger
- Change of Name

Execution Date: December 23, 1999

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

Name: BHF (USA) Capital Corp.

Internal Address: (as collateral agent)

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)

B. Trademark Registration No.(s)

1,957,554 1,923,692

Additional numbers Yes No

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

Name: Ronald E. Brown

Internal Address: Pitney, Hardin, Kipp & Szuch LLP

Street Address: 711 Third Avenue

20th Floor

City: New York State: NY ZIP: 10017

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

2

7. Total fee (37 CFR 3.41):.....\$ \$65.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

50-1145 (Order No. 4229-G-9A)

03/08/2000 DNGUYEN 00000292 501145 1957554

DO NOT USE THIS SPACE

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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

Signature

January 26, 2000

Date

Total number of pages including cover sheet, attachments, and

23

TRADEMARK

REEL: 002031 FRAME: 0926

**AMENDED AND RESTATED
SECURITY AGREEMENT**

AMENDED AND RESTATED SECURITY AGREEMENT, dated as of December 23, 1999 (as further amended, modified or supplemented from time to time, the "*Security Agreement*"), made by FIGI GRAPHICS, INC., a Nevada corporation (the "*Company*"), BHF (USA) Capital Corporation ("*BHFCC*"), as Agent (in such capacity, the "*Agent*") for the Lenders (the "*Lenders*") from time to time party to the Amended and Restated Credit Agreement, dated as of December 23, 1999 (as amended, supplemented or otherwise modified from time to time, the "*Credit Agreement*") among Giftware Holdings, Inc. (the "*Borrower*"), the Lenders and the Agent. Except as otherwise defined herein, terms used herein and defined in the Credit Agreement shall be used herein as therein defined.

WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Agent have entered into that certain Credit Agreement, dated as of December 22, 1997, as amended by Amendment No. 1 to Credit Agreement, dated as of January 30, 1998, Amendment No. 2 to Credit Agreement, dated as of January 13, 1999 and Amendment No. 3 to Credit Agreement, dated as of June 11, 1999 (the "*Initial Credit Agreement*"), providing for the making of the A-Term Loans and the B-Term Loans (the "*Initial Term Loans*") and the Revolving Credit Loan and the issuance or creation of, and participation in, Letters of Credit as contemplated therein; and

WHEREAS, the Borrower and BHFCC have entered into a Senior Secured Subordinated Loan and Warrant Agreement, dated as of December 22, 1997, as amended by Amendment No. 1 to Senior Subordinated Loan and Warrant Agreement, dated as of January 30, 1998, Amendment No. 2 to Senior Subordinated Loan and Warrant Agreement, dated as of January 13, 1999, Amendment No. 3 to Senior Subordinated Loan and Warrant Agreement, dated as of May 20, 1999 and Amendment No. 4 to Senior Subordinated Loan and Warrant Agreement, dated as of June 11, 1999 (the "*Subordinated Loan Agreement*"), providing for the making of a senior subordinated loan (the "*Subordinated Loan*"); and

WHEREAS, BHF-BANK Aktiengesellschaft has assigned all of its rights and obligations under the Initial Credit Agreement and the Subordinated Loan Agreement to BHFCC, and BHFCC has become the Administrative Agent, Collateral Agent and a Lender under the Initial Credit Agreement and the Subordinated Loan Agreement (and related Security Documents); and

WHEREAS, as a condition to the Initial Credit Agreement and the Subordinated Loan Agreement, the Company executed and delivered to the Agent on behalf of the Lenders a Security Agreement, dated as of January 13, 1999 (the "*Initial Security Agreement*"); and

WHEREAS, in order to restructure, continue, convert and consolidate the Initial Term Loans under the Initial Credit Agreement and the Subordinated Loan under the Subordinated Loan Agreement, the Borrower, the Lenders and the Agent have entered into the Amended and Restated Credit Agreement, dated as of December 23, 1999, whereby, among other matters, the Initial Term Loans and the Subordinated Loan will be restructured, continued, converted and consolidated into the Term Loans contemplated under the Credit Agreement; and

WHEREAS, it is a condition precedent to the effectiveness of the Credit Agreement and the extension of credit thereunder that the Company shall have executed and delivered to the Agent this Agreement; and

WHEREAS, the Company desires to execute this Amended and Restated Security Agreement in order to satisfy the conditions described in the preceding paragraphs and in order to amend and restate in its entirety the Initial Security Agreement heretofore entered into by the Company in favor of the agent for the benefit of the Lenders;

NOW, THEREFORE, in consideration of the premises and to induce the Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective Loans to the Borrower under the Credit Agreement, the Company hereby agrees with the Agent, for the ratable benefit of the Lenders, as follows:

1. Defined Terms. Unless otherwise defined herein, terms which are defined in the Credit Agreement and used herein are so used as so defined; the following terms which are defined in the Uniform Commercial Code in effect in the State of New York on the date hereof are used herein as so defined: "Accounts," "Chattel Paper," "Documents," "Equipment," "General Intangibles," "Instruments," "Inventory," "Investment Property," "Proceeds," "Security," or "Securities." The following terms shall have the following meanings:

"Code" means the Uniform Commercial Code as from time to time in effect in the State of New York.

"Collateral" shall have the meaning assigned to it in Section 2 of this Security Agreement.

"Contract" means each contract or agreement to which the Company is a party, as the same may from time to time be amended, supplemented or otherwise modified, including, without limitation, (a) all rights of the Company to receive moneys due and to become due to it thereunder or in connection therewith (including, without limitation, any franchise or license fees or other amounts payable to the Company pursuant to any franchise or similar agreement entered into by the Company) and (b) all rights of the Company to perform, to require or accept performance, and to exercise all remedies thereunder.

"Copyrights" means any and all of the protections under Title 17 of the United States Code granting exclusive ownership rights to the copyright owner in original works of authorship fixed in any tangible medium of expression, now known or later developed, from

which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.

“Copyright License” means all agreements, whether written or oral, providing for the grant by the Company, or the grant to the Company, of any right to use any Copyright.

“Deposit Account” means a demand, time, savings, passbook or like account maintained with a bank, savings and loan association, credit union or like organization other than an account evidenced by a negotiable certificate of deposit.

“Excluded License” means any license agreement to which the Company is a party, the terms of which require the consent of the counterparty(ies) to such contract to the creation of a security interest in the rights of the Company thereunder where such consent has not been obtained by the Company.

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

“Obligations” means the Payment Obligations (as such term is defined in the Credit Agreement), including, without limitation, interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding.

“Patents” means (a) all letters patent of the United States or any other country and all reissues, continuations and extensions thereof, and (b) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof.

“Patent License” means all agreements, whether written or oral, providing for the grant by the Company, or the grant to the Company, of any right to manufacture, use, sell, offer for sale or import any invention covered by a Patent.

“Security Agreement” means this Amended and Restated Security Agreement, as amended, supplemented or otherwise modified from time to time.

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

“Trademark License” means any agreement, written or oral, providing for the grant by the Company, or the grant to the Company, of any right to use any Trademark.

“Vehicles” means all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title or similar law of any state and shall include all tires and other appurtenances to any of the foregoing.

2. Grant of Security Interest.

(a) **Collateral.** As collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations, the Company hereby grants to the Agent for the ratable benefit of the Lenders a security interest in all of the Company's property, including, without limitation, the following property of the Company, whether now owned or at any time hereafter acquired by the Company, or in which the Company now has or at any time in the future may acquire any right, title or interest (collectively, the **“Collateral”**):

- (i) all Accounts;
- (ii) all Chattel Paper;
- (iii) all Contracts;
- (iv) all Copyrights, including, without limitation, the Copyrights listed on Schedule I hereto;
- (v) all Copyright Licenses;
- (vi) all Deposit Accounts;
- (vii) all Documents;
- (viii) all Equipment;
- (ix) all General Intangibles;
- (x) all Instruments;
- (xi) all Inventory;
- (xii) all Investment Property;
- (xiii) any Security (including, without limitation any Security issued by a Subsidiary of the Company);
- (xiv) all Trademarks, including without limitation the Trademarks listed on Schedule I hereto;

- (xv) all Trademark Licenses;
- (xvi) all Patents, including without limitation the Patents listed on Schedule I hereto;
- (xvii) all Patent Licenses;
- (xviii) all Vehicles; and
- (xix) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing.

(b) Excluded Property. Until the relevant consent has been obtained, there shall be excluded from the security interest created by Section 2(a) any Excluded License, to the extent that the term in the Excluded License requiring such consent is effective under applicable law. With regard to each Excluded License, the Company undertakes to use reasonable endeavors to obtain the consent of the relevant counterparty to the creation of the security interest contained in Section 2(a) as soon as reasonably practicable and to keep the Agent informed of the progress of its negotiations with such third parties. Upon receipt of the relevant third party's consent, the relevant Excluded License shall thereupon become subject to a security interest in favor of the Agent pursuant to the terms of Section 2(a).

3. Rights of Agent and Lenders; Limitations on Agent's and Lenders' Obligations.

(a) Company Remains Liable under Accounts and Contracts. Anything herein to the contrary notwithstanding, the Company shall remain liable under each of the Accounts and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account and in accordance with and pursuant to the terms and provisions of each such Contract. Neither the Agent nor any Lender shall have any obligation or liability under any Account (or any agreement giving rise thereto) or under any Contract by reason of or arising out of this Security Agreement or the receipt by the Agent or any such Lender of any payment relating to such Account or Contract pursuant hereto, nor shall the Agent or any Lender be obligated in any manner to perform any of the obligations of the Company under or pursuant to any Account (or any agreement giving rise thereto) or under or pursuant to any Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto) or under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) Notice to Account Debtors and Contracting Parties. Upon the written request of the Agent at any time after the occurrence and during the continuance of an Event of Default, (i) the Company shall notify account debtors on the Accounts and parties to the Contracts that, pursuant to the terms of this Security Agreement, payments in respect thereof

shall be made directly to the Agent for the ratable benefit of the Lenders; and (ii) the Agent may in its own name or in the name of others communicate with account debtors on the Accounts and parties to the Contracts to verify with them to its satisfaction the existence, amount and terms of any Accounts or Contracts.

(c) Analysis of Accounts. The Agent shall have the right to make test verifications of the Accounts in any manner and through any medium that it reasonably considers advisable, and the Company shall furnish all such assistance and information as the Agent may reasonably require in connection therewith. Up to once per year or, after the occurrence and during the continuance of an Event of Default, at any time, upon the Agent's reasonable request and at the expense of the Company, the Company shall cause independent public accountants or others satisfactory to the Agent to furnish to the Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts.

(d) Collections on Accounts. The Agent hereby authorizes the Company to collect the Accounts, and the Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. If required by the Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Accounts, when collected by the Company, shall be forthwith (and, in any event, within two Business Days) deposited by the Company in the exact form received, duly indorsed by the Company to the Agent if required, in a special collateral account maintained by the Agent, subject to withdrawal by the Agent for the account of the Lenders only, as hereinafter provided, and, until so turned over, shall be held by the Company in trust for the Agent and the Lenders, segregated from other funds of the Company. Each deposit of any such Proceeds shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit. All Proceeds constituting collections of Accounts while held by the Agent (or by the Company in trust for the Agent and the Lenders in accordance with the preceding sentence) shall continue to be collateral security for all of the Obligations and shall not constitute payment thereof until applied as hereinafter provided. If an Event of Default shall have occurred and be continuing, at the Agent's election, the Agent shall apply all or any part of the funds on deposit in said special collateral account on account of the Obligations in such order as the Agent may elect, and any part of such funds which the Agent elects not so to apply and deems not required as collateral security for the Obligations shall be paid over from time to time by the Agent to the Company or to whomsoever may be lawfully entitled to receive the same. At the Agent's request, upon the occurrence and continuance of an Event of Default, the Company shall deliver to the Agent complete and correct copies of all Contracts and all original Chattel Paper and Instruments which gave rise to, or evidence or relate to, the Accounts.

4. Representations and Warranties. The Company hereby represents and warrants to the Agent and the Lenders that:

(a) Title; No Other Liens. Except for the Lien granted to the Agent for the ratable benefit of the Lenders pursuant to this Security Agreement and the other Liens permitted to exist on the Collateral pursuant to the Credit Agreement, the Company owns each item of the Collateral free and clear of any and all Liens or claims of others. No

security agreement, financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as may have been filed in favor of the Agent, for the ratable benefit of the Lenders, pursuant to this Security Agreement or as may be permitted pursuant to the Credit Agreement.

(b) Perfected First-Priority Liens. Except as permitted pursuant to the Credit Agreement, the Liens granted pursuant to this Security Agreement will constitute, upon completion of the filings contemplated hereunder and under the Credit Agreement, perfected Liens on the Collateral in favor of the Agent, for the ratable benefit of the Lenders, which are prior to all other Liens on the Collateral created by the Company and in existence on the date hereof and which are enforceable as such against all creditors of and purchasers from the Company and against any owner or purchaser of the real property where any of the Equipment is located and any present or future creditor obtaining a Lien on such real property.

(c) Accounts. The amounts represented by the Company to the Lenders from time to time as owing by all account debtors in respect of the Accounts will at such time be accurate in all material respects. No amount payable to the Company under or in connection with any Account is evidenced by any Instrument or Chattel Paper which has not been delivered to the Agent. The place where the Company keeps its records concerning the Accounts is the office of the Company located at 3636 Gateway Center Avenue, San Diego, California 92102.

(d) Contracts. No consent of any party (other than the Company) to any material Contract is required, or purports to be required, in connection with the execution, delivery and performance of this Security Agreement. Each material Contract is in full force and effect and constitutes a valid and legally enforceable obligation of the Company and, to the best knowledge of the Company, the other parties thereto, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally. No consent or authorization of, filing with or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of any of the Contracts by any party thereto other than those which have been duly obtained, made or performed, are in full force and effect and do not subject the scope of any such Contract to any material adverse limitation, either specific or general in nature. Neither the Company nor (to the best of the Company's knowledge) any other party to any material Contract is in default or is likely to become in default in the performance or observance of any of the terms thereof. The Company has fully performed all its obligations under each material Contract. The right, title and interest of the Company in, to and under each Contract are not, to the knowledge of the Company, subject to any defense, offset, counterclaim or claim materially adversely affecting the value of such Collateral, nor have any of the foregoing been alleged against the Company as to any material Contract. No amount payable to the Company in excess of \$10,000 under or in connection with any Contract is evidenced by any Instrument or Chattel Paper which has not been delivered to the Agent.

(e) Inventory and Equipment. The Inventory and the Equipment are kept at the locations listed on Schedule II hereto.

(f) Chief Executive Office. The Company's chief executive office and chief place of business is located at 3636 Gateway Center Avenue, San Diego, California 92102.

(g) Copyrights, Patents and Trademarks. Schedule I hereto includes all Intellectual Property owned by the Company in its own name as of the date hereof. Each Copyright, Patent and Trademark is valid, subsisting, unexpired, enforceable and has not been abandoned. Except as set forth in such Schedule, none of such Intellectual Property is the subject of any licensing or franchise agreement, or any security agreement or other encumbrance. Specifically, and without limitation, the Company is the sole owner of record as set forth in the records of the U.S. Copyright Office for each of the U.S. Copyright registrations listed on Schedule I hereto and there are no other assignments, transfers, liens, security interests or other encumbrances recorded in the U.S. Copyright Office against these registrations. No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of any Copyright, Patent or Trademark. No action or proceeding is pending (i) seeking to limit, cancel or question the validity of any Copyright, Patent or Trademark, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Copyright, Patent or Trademark.

(h) Governmental Obligors. None of the obligors on any Accounts, and none of the parties to any Contracts, is a Governmental Authority.

5. Covenants. The Company covenants and agrees with the Agent and the Lenders that, from and after the date of this Security Agreement until the Obligations are paid in full and the Revolving Credit Loan Commitments have terminated:

(a) Further Documentation; Pledge of Instruments and Chattel Paper. At any time and from time to time, upon the written request of the Agent, and at the sole expense of the Company, the Company will promptly and duly execute and deliver such further instruments and documents and take such further action as the Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Security Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the Liens created hereby or any document (including this Security Agreement) with the U.S. Patent and Trademark Office, U.S. Copyright Office or elsewhere. The Company also hereby authorizes the Agent to file any such financing or continuation statement without the signature of the Company to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Security Agreement shall be sufficient as a financing statement for filing in any jurisdiction where permitted. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument or Chattel Paper

evidencing an obligation in excess of \$10,000 (other than any check payable in immediately available funds and received in the ordinary course of business), or if the Company shall acquire any Security of a Subsidiary, such Instrument, Chattel Paper or Security (if certificated) shall be immediately delivered to the Agent, duly endorsed in a manner satisfactory to the Agent, to be held as Collateral pursuant to this Security Agreement, and, with respect to any such Security (whether certificated or uncertificated), the Company shall take, or cause to be taken, any action required under Article 8 of the Code to create and/or perfect a first-priority Lien therein in favor of the Agent for the benefit of the Lenders. Notwithstanding any of the foregoing, nothing contained herein shall be interpreted to limit the Borrower's obligations under subsection 9.12 of the Credit Agreement.

(b) Indemnification. The Company agrees to pay, and to save the Agent and the Lenders harmless from, any and all liabilities, costs and expenses (including, without limitation, reasonable legal fees and expenses) incurred by the Agent or the Lenders (i) with respect to, or resulting from, any delay in paying any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, any delay in complying with any Requirement of Law applicable to any of the Collateral or (iii) in connection with any of the transactions contemplated by this Security Agreement (except that the foregoing shall not apply to any such liabilities, costs or expenses resulting from the gross negligence or intentional misconduct of the Agent or any Lender). In any suit, proceeding or action brought by the Agent or any Lender under any Account or Contract for any sum owing thereunder, or to enforce any provisions of any Account or Contract, the Company will save, indemnify and keep the Agent and such Lender harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction or liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by the Company of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from the Company.

(c) Maintenance of Records. The Company will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Accounts. For the Agent's and the Lenders' further security, the Agent, for the ratable benefit of the Lenders, shall have a security interest in all of the Company's books and records pertaining to the Collateral.

(d) Compliance with Laws, etc. The Company will comply in all material respects with all Requirements of Law applicable to the Collateral or any part thereof or to the operation of the Company's business; provided, however, that the Company may contest any Requirement of Law in any reasonable manner which shall not, in the reasonable opinion of the Agent, adversely affect the Agent's or the Lenders' rights or the priority of their Liens on the Collateral.

(e) Compliance with Terms of Contracts, etc. The Company will perform and comply in all material respects with all of its material obligations under the Contracts and all of its other Contractual Obligations relating to the Collateral.

(f) Payment of Obligations. The Company will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of its income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if (i) the validity thereof is being contested in good faith by appropriate proceedings, (ii) such proceedings do not involve any material risk of the sale, forfeiture or loss of any of the Collateral or any interest therein and (iii) such charge is adequately reserved against on the Company's books in accordance with GAAP.

(g) Limitation on Liens on Collateral. The Company will not create, incur or permit to exist, will defend the Collateral against, and will take such other action as is necessary to remove, any Lien or claim on or to the Collateral, other than the Liens created hereby and other than as permitted pursuant to the Credit Agreement, and will defend the right, title and interest of the Agent and the Lenders in and to any of the Collateral against the claims and demands of all Persons whomsoever.

(h) Limitations on Dispositions of Collateral. The Company will not sell, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so except as, and to the extent permitted, in the Credit Agreement.

(i) Limitations on Modifications, Waivers, Extensions of Contracts and Agreements Giving Rise to Accounts. The Company will not (i) amend, modify or waive any provision of any material Contract or any agreement giving rise to a material Account in any manner that would reasonably be likely to materially adversely affect the value of such Contract or Account as Collateral or the value of the Collateral as a whole, (ii) terminate any Contract or any agreement giving rise to an Account unless (a) the Company reasonably determines that such Contract or agreement is no longer necessary in the Company's business and (b) the termination of such Contract or agreement would not reasonably be likely to materially adversely affect the value of the Collateral as a whole, or (iii) fail to use its reasonable efforts to exercise promptly and diligently each and every material right which it may have under each material Contract and each agreement giving rise to a material Account (other than any right of termination).

(j) Limitations on Discounts, Compromises, Extensions of Accounts. Other than in the ordinary course of business of the Company, the Company will not grant any extension of the time of payment of any of the Accounts, or compromise, compound or settle the same for less than the full amount thereof, or release, wholly or partially, any Person liable for the payment thereof, or allow any credit or discount whatsoever thereon in any manner that, in any such case, would materially impair the value of the Collateral taken as a whole.

(k) Maintenance of Equipment. The Company will maintain each item of Equipment useful and necessary in its business in good operating condition, ordinary wear and tear and immaterial impairments of value and damage by the elements excepted, and will provide, or cause others to provide, all maintenance, service and repairs necessary for such purpose.

(l) Maintenance of Insurance. The Company will maintain all insurance required under the Credit Agreement.

(m) Further Identification of Collateral. The Company will furnish to the Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Agent may reasonably request, all in reasonable detail.

(n) Notices. The Company will advise the Agent promptly, in reasonable detail, at its address set forth in the Credit Agreement, (i) of any Lien (other than Liens created hereby or permitted under the Credit Agreement) on, or material claim asserted against, any of the Collateral and (ii) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereunder.

(o) Changes in Locations, Name, etc. The Company will not without at least 30 days prior written notice to the Agent (i) change the location of its chief executive office/chief place of business from that specified in Section 4(f) or remove its books and records from the location specified in Section 4(c), (ii) permit any of the Inventory or Equipment to be kept at a location other than those listed on Schedule II hereto or (iii) change its name, identity or corporate structure to such an extent that any financing statement filed by the Agent in connection with this Security Agreement would become seriously misleading.

(p) Copyrights, Patents and Trademarks.

(i) The Company will, except with respect to any Trademark that the Company shall reasonably determine is of negligible economic value to it, (i) continue to use each Trademark in connection with its business in order to maintain such Trademark in full force and effect, free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered in connection with such Trademark, (iii) employ such Trademark with the appropriate notice of registration, (iv) not adopt or use any mark which is confusingly similar to, or a colorable imitation of, such Trademark unless the Agent, for the ratable benefit of the Lenders, shall obtain a perfected security interest in such mark pursuant to this Security Agreement, and (v) not do or permit to be done any act or knowingly omit to do or cause to be done any act whereby any Trademark may become invalidated.

(ii) The Company will, except with respect to any Copyright that the Company shall, in the exercise of its sound business judgment, reasonably determine is of negligible economic value or any Copyright which, if discontinued, abandoned or not used would not have a Material Adverse Effect, (i) continue to maintain such Copyright in full force and effect, (ii) maintain as in the past the quality of products and services offered in connection with such Copyright and (iii) not do or permit to be done any act or knowingly omit to do or cause to be done any act whereby any Copyright may become invalidated, or the underlying work otherwise enter the public domain before the maximum terms of protection have expired.

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

(iv) Whenever the Company, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Copyright, Patent or Trademark with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, the Company shall report such filing to the Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Agent, the Company shall execute and deliver any and all agreements, instruments, documents, and papers as the Agent may request to evidence the Agent's and the Lenders' security interest in any Copyright, Patent or Trademark and the goodwill and general intangibles of the Company relating thereto or represented thereby, and the Company hereby constitutes the Agent its attorney-in-fact to execute and file all such writings for the foregoing purposes, to the extent permitted by applicable law, all acts of such attorney being hereby ratified and confirmed; such power being coupled with an interest is irrevocable until the Obligations are paid in full and the Revolving Credit Loan Commitments have terminated.

(v) Subject to clause (i) above, the Company will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the Copyrights, Patents and Trademarks, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(vi) In the event that any Copyright, Patent or Trademark included in the Collateral is infringed, misappropriated or diluted by a third party in any manner that would diminish the value thereof in any material respect, the Company shall promptly notify the Agent after it learns thereof and shall, unless the Company shall reasonably determine that such Copyright, Patent or Trademark is of negligible economic value to the Company, which determination the Company shall promptly report to the Agent, promptly take such other actions as the Company shall reasonably deem appropriate under the circumstances to protect such Copyright, Patent or Trademark, including to sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution.

(q) Assignment of Licenses. Upon and during the continuance of an Event of Default and at the reasonable request of the Agent, the Company shall use its reasonable efforts to obtain all requisite consents or approvals by the licensor of each Copyright License, Patent License, and Trademark License to effect the assignment of all of the Company's rights, title and interest thereunder to the Collateral Agent or its designee.

(r) Vehicles. The Company will maintain each Vehicle in good operating condition, ordinary wear and tear and immaterial impairments of value and damage by the elements excepted, and will provide all maintenance, service and repairs necessary for such purpose. Within 60 days of the date hereof, and, with respect to any Vehicles acquired by the Company subsequent to the date hereof, within 30 days after the date of acquisition thereof, all applications for certificates of title or ownership indicating the Agent's and the Lenders' first-priority Lien on the Vehicle covered by such certificate, and any other necessary documentation, shall be filed in each office in each jurisdiction which the Agent shall deem advisable to perfect its Liens on the Vehicles.

6. Agent's Appointment as Attorney-in-Fact.

(a) Powers. The Company hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Company and in the name of the Company or in its own name, from time to time in the Agent's discretion, for the purpose of carrying out the terms of this Security Agreement to the extent permitted by applicable law, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement, and, without limiting the generality of the foregoing, the Company hereby gives the Agent the power and right, on behalf of the Company, without notice to or assent by the Company, to do the following:

(i) in the case of any Account, at any time when the authority of the Company to collect the Accounts has been curtailed or terminated pursuant to the first sentence of Section 3(d) hereof, or in the case of any other Collateral, at any time when

any Event of Default shall have occurred and is continuing, in the name of the Company or its own name, or otherwise, to take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Account, Instrument, General Intangible or Contract or with respect to any other Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Agent for the purpose of collecting any and all such moneys due under any Account, Instrument, General Intangible or Contract or with respect to any other Collateral whenever payable;

(ii) if the Company shall have failed to do the same, to pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Security Agreement and to pay all or any part of the premiums therefor and the costs thereof; and

(iii) upon the occurrence and during the continuance of any Event of Default, (A) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Agent or as the Agent shall direct; (B) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) to sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action or proceeding brought against the Company with respect to any Collateral; (F) to settle, compromise or adjust any suit, action or proceeding described in clause (E) above and, in connection therewith, to give such discharges or releases as the Agent may deem appropriate; (G) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and to do, at the Agent's option and the Company's expense, at any time, or from time to time, all acts and things that the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's and the Lenders' Liens thereon and to effect the intent of this Security Agreement, all as fully and effectively as the Company might do.

The foregoing power of attorney is a power coupled with an interest and shall be irrevocable.

(b) Other Powers. The Company also authorizes the Agent, at any time and from time to time, to execute, in connection with the sale provided for in Section 9 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(c) No Duty on Agent or Lenders' Part. The powers conferred on the Agent hereunder are solely to protect the Agent's and the Lenders' interests in the Collateral and

shall not impose any duty upon the Agent to exercise any such powers. The Agent and the Lenders shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to the Company for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

7. **Performance by Agent of Company's Obligations.** If the Company fails to perform or comply with any of its agreements contained herein and the Agent, as provided for by the terms of this Security Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of the Agent incurred in connection with such performance or compliance, together with interest thereon at a rate *per annum* equal to the default rate prescribed by subsection 5.6(b) of the Credit Agreement, shall be payable by the Company to the Agent on demand and shall constitute Obligations secured hereby.

8. **Proceeds.** Except as may otherwise be required or permitted pursuant to Section 3(d), it is agreed that if an Event of Default shall occur and be continuing (a) all Proceeds received by the Company consisting of cash, checks and other near-cash items shall be held by the Company in trust for the Agent and the Lenders, segregated from other funds of the Company, and shall, forthwith upon receipt by the Company, be turned over to the Agent in the exact form received by the Company (duly indorsed by the Company to the Agent, if required), and (b) any and all such Proceeds received by the Agent (whether from the Company or otherwise) may, in the sole discretion of the Agent, be held by the Agent for the ratable benefit of the Lenders as collateral security for, and/or then or at any time thereafter may be applied by the Agent against, the Obligations (whether matured or unmatured), such application to be in such order as the Agent shall elect. Any balance of such Proceeds remaining after the Obligations shall have been paid in full and the Revolving Credit Loan Commitments shall have been terminated shall be paid over to the Company or to whomsoever may be lawfully entitled to receive the same.

9. **Remedies.** If an Event of Default shall occur and be continuing, the Agent, on behalf of the Lenders, may exercise, in addition to all other rights and remedies granted to them in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, the Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required under the Credit Agreement or by law referred to below) to or upon the Company or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Agent or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent or any Lender shall have

the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Company, which right or equity is hereby waived or released. The Company further agrees, at the Agent's request, to assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at the Company's premises or elsewhere. The Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent and the Lenders hereunder, including, without limitation, reasonable attorneys' fees and out-of-pocket expenses and disbursements, to the payment in whole or in part of the Obligations, in such order as the Agent may elect, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Code, need the Agent account for the surplus, if any, to the Company. To the extent permitted by applicable law, the Company waives all claims, damages and demands (other than for gross negligence or willful misconduct) that it may acquire against the Agent or any Lender arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition. The Company shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the obligations and the fees and disbursements of any attorneys employed by the Agent or any Lender to collect such deficiency.

10. Limitation on Duties Regarding Preservation of Collateral. The Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as the Agent would deal with similar property for its own account. Neither the Agent, any Lender, nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise, dispose of any Collateral upon the request of the Company or otherwise.

11. Powers Coupled with an Interest. All authorizations and agencies herein contained with respect to the Collateral are irrevocable and powers coupled with an interest.

12. Grant of License to Use Copyrights and Trademarks. For the purpose of enabling the Agent to exercise rights and remedies hereunder at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, the Company hereby grants to the Agent an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to the Company) to use, license or sublicense any of the Collateral now owned or hereafter acquired by the Company, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored. The use of such license by the Agent shall be exercised, at the option of the Agent for any purpose appropriate in connection with the exercise of remedies hereunder, only upon the occurrence and during the continuance of an Event of Default, *provided* that any license,

sublicense or other transaction entered into by the Agent in accordance herewith shall be binding upon the Company notwithstanding any subsequent cure of an Event of Default.

13. Severability. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

14. Paragraph Headings. The paragraph headings used in this Security Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

15. No Waiver; Cumulative Remedies. Neither the Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 16 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent or such Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

16. Waivers and Amendments; Successors and Assigns; Governing Law. None of the terms or provisions of this Security Agreement may be waived, amended supplemented or otherwise modified except by a written instrument executed by the Company and the Agent; provided that any provision of this Security Agreement creating rights in favor of the Agent or the Lenders may be waived by the Agent in a written letter or agreement executed by the Agent. This Security Agreement shall be binding upon the successors and assigns of the Company and shall inure to the benefit of the Agent and the Lenders and their respective successors and assigns. This Security Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York without regard to the conflicts of law principles thereof, except that the creation, attachment and enforceability of the security interest in Deposit Accounts shall be governed by, and construed and interpreted in accordance with, the laws of the State of California without regard to the conflicts of law principles thereof.

17. Notices. Notices hereunder shall be given, and not be effective unless given, in accordance with subsection 12.2 of the Credit Agreement.

18. Authority of Agent. The Company acknowledges that the rights and responsibilities of the Agent under this Security Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Security Agreement

shall, as between the Agent and the Lenders, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them.

19. Additional Assignors. It is understood and agreed that any Subsidiary of the Borrower that is required to execute a counterpart of this Agreement after the date hereof pursuant to the Credit Agreement shall become an Assignor hereunder by executing a counterpart hereof and delivering the same to the Agent.

20. Effect of Amendment. It is understood and agreed by the parties hereto that (i) the parties hereto intend to maintain the validity, effectiveness, enforceability, perfection and priority of the Security Documents executed in connection with the transactions contemplated by the Initial Credit Agreement and the Initial Subordinated Loan Agreement (the "*Original Security Documents*"), (ii) as of the date hereof, no default shall be deemed to exist under the Original Security Documents, and (iii) this Security Agreement is intended, inter alia, to extend the obligations and indebtedness secured by the security interests and pledges created and affected by the Original Security Documents, to the amended obligations and indebtedness created and evidenced by the Credit Agreement and by the Notes, without terminating, limiting, modifying or otherwise affecting the validity, effectiveness, enforceability, perfection and priority of the security interests or the pledges created and affected in respect of the obligations and indebtedness created in connection with the transactions contemplated by each of the Initial Credit Agreement and the Initial Subordinated Loan Agreement. To the extent that any security interest or pledge granted pursuant to the Original Security Documents relates to collateral in which the Borrower or the Company, as applicable, has previously granted a security interest to the Collateral Agent thereunder to secure obligations and indebtedness outstanding under any of such documents, the Credit Agreement and the Notes, this Security Agreement shall confirm the validity, effectiveness, enforceability and continuation of such security interest and pledge as against the Borrower or the Company, as applicable. All of the terms and provisions of the Original Security Documents are hereby confirmed and ratified in all respects, except as specifically modified herein.

* * *

IN WITNESS WHEREOF, the Company has caused this Security Agreement to be duly executed and delivered to the Agent as of the date first above written.

FIGI GRAPHICS, INC.

By: *Terrence M. White*

Name: TERRENCE M. WHITE

Title: SENIOR VICE PRESIDENT

INTELLECTUAL PROPERTY

[See Attached]

Trademarks

<u>Part Number</u>	<u>Description</u>	<u>Registration No.</u>	<u>Registration Date</u>
	SANTA'S CRYSTAL VALLEY	1,957,554	2/20/96
	STAND-UPS	1,923, 692	10/3/95

INVENTORY AND EQUIPMENT LOCATIONS

Being Retained by Lender's Counsel