

RECORDED  
4-12-00  
TI

05-08-2000



101348874

To the Honorable Commissioner

and original documents or copy thereof.

1. Name of conveying party(ies):  
**MIDLAND INTERNATI  
TILEWORKS, INC.**  
**4140 Grand Avenue  
Des Moines, IA 50312**  
  
 Individuals(s)  Association  
 General Partnership  Limited Partnership  
 Corporation-State **Iowa**  
 Other  
  
Additional name(s) of conveying party(ies) attached?  Yes  No

04-12-2000  
U.S. Patent & TMO/TM Mail Rpt Dt. #26

Name and address of receiving party(ies)  
Name: **COAST BUSINESS CREDIT, a  
division of Southern Pacific Bank**  
Internal Address:  
Street Address: **12121 Wilshire Blvd.  
Suite 1400**  
City: **Los Angeles** State: **California** ZIP: **90025**  
  
 Individual(s) citizenship \_\_\_\_\_  
 Association \_\_\_\_\_  
 General Partnership \_\_\_\_\_  
 Limited Partnership \_\_\_\_\_  
 Corporation-State **California**  
 Other \_\_\_\_\_

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

3. Nature of conveyance  
  
 Assignment  Merger  
 Security Agreement  Change of Name  
 Other  
  
Execution Date: **March 28, 2000**

4. Application number(s) or patent number(s)  
A. Trademark Application No.(s)  
  
Additional numbers attached?  Yes  No

B. Trademark Registration No.(s)  
**Traditional Stiles (Reg. #1,945,303)**  
  
Additional numbers attached?  Yes  No

5. Name and address of party to whom correspondence concerning document should be mailed:  
**Mr. Sigi Hinojosa**  
Name: **Buchalter, Nemer, Fields & Younger**  
  
Internal Address:  
  
Street Address: **601 South Figueroa Street, 24th Floor**  
  
City: **Los Angeles** State: **California** ZIP: **90017**

6. Total number of applications and registrations involved: 9  
  
7. Total fee (37 CFR 3.41) \$ 270.00  
 Enclosed  
 Authorized to be charged to deposit account  
  
8. Deposit account number:  
20-0052  
  
(Attach duplicate copy of this page if paying by deposit account)

RECEIVED  
TRADEMARK RECEIVED  
2000 APR 12 A 10:27  
U.S. PATENT & TRADEMARK OFFICE

05/05/2000 BNGUYEN 00000475 200052 1945303

DO NOT USE THIS SPACE

01 FC:4A1 40.00 CH  
02 FC:4A2 200.00 CH

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.  
*Christine E. Wilcox*  
**MR. SIGI HINOJOSA**  
Name of Person Signing  
  
*[Signature]*  
Signature  
  
April 10, 2000  
Date

Total number of pages including cover sheet, attachments, and document.

SCHEDULE A  
REGISTERED COPYRIGHTS

Copyright

Country

Registration Date

Registration No.

NONE

SCHEDULE B  
REGISTERED TRADEMARKS

<u>Trademark</u>	<u>Registration</u> <u>Date</u>	<u>Registration</u> <u>No.</u>
Traditional Stiles	1/2/1996	1945303
Stiles	2/7/1995	1877646
New Waves	10/16/1990	1617653
Cascades	5/22/1990	1597446
Stiles (S-Tile)	5/8/1990	1595403
Let Us Fire Your Imagination	1/17/1989	1520935
Foothills	6/28/1988	1494272
City Lights	3/8/1988	1479640
Shades	1/26/1988	1474188

<u>Pending Trademark</u>		
Porcelain Glaze	Pending	Pending

SCHEDULE C

PATENTS

Patent Description/Title

Issue Date

Patent No.

Name of Inventor

	<i>NONE</i>		

PATENT APPLICATIONS

Description

Filing Date

Serial No.

Name of Inventor

	<i>NONE</i>		

SCHEDULE B  
REGISTERED TRADEMARKS

<u>Trademark</u>	<u>Registration</u> <u>Date</u>	<u>Registration</u> <u>No.</u>
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Stiles	2/7/1995	1877646
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Foothills	6/28/1988	1494272
City Lights	3/8/1988	1479640
Shades	1/26/1988	1474188

Pending Trademark

Porcelain Glaze	Pending	Pending
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**Coast**

# Intellectual Property Security Agreement

**Grantor:** MIDLAND INTERNATIONAL TILEWORKS, INC.  
An Iowa corporation

**Address:** 4140 Grand Avenue  
Des Moines, Iowa 50312

**Date:** March 28, 2000

**THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT** ("Agreement") is entered into on the above date between COAST BUSINESS CREDIT, a division of Southern Pacific Bank ("Coast"), a California corporation, with offices at 12121 Wilshire Boulevard, Suite 1400, Los Angeles, California 90025, and the grantor named above ("Grantor"), whose chief executive office is located at the above address with respect to the following:

A Grantor and Coast are, contemporaneously herewith, entering into that certain Loan and Security Agreement ("Loan Agreement") and other instruments, documents and agreements contemplated thereby or related thereto (collectively, together with the Loan Agreement, the "Loan Documents"); and

B. Grantor is the owner of certain intellectual property, identified below, in which Grantor is granting a security interest to Coast.

NOW THEREFORE, in consideration of the mutual promises, covenants, conditions, representations, and warranties hereinafter set forth and for other good and valuable consideration, the parties hereto mutually agree as follows:

## 1. DEFINITIONS AND CONSTRUCTION.

1.1 **Definitions.** The following terms, as used in this Agreement, have the following meanings:

**"Code"** means the California Uniform Commercial Code, as amended and supplemented from time to time, and any successor statute.

**"Collateral"** means:

(i) Each of the copyrights and rights and interests capable of being protected as copyrights, which are presently, or in the future may be, owned, authored, acquired, or used (whether pursuant to a license or otherwise) by Grantor, in whole or in part, and all copyright rights with respect thereto throughout the world, including all proceeds thereof (including license royalties and proceeds of infringement suits), and all tangible property embodying the copyrights (including books, records, films, computer tapes or disks, photographs, specification sheets, source codes, object codes, and other physical manifestations of the foregoing);

(ii) Each of the trademarks and rights and interest which are capable of being protected as trademarks (including trademarks, service marks, designs, logos, indicia, tradenames, corporate names, company names, business names, fictitious business names, trade styles, and other source or business identifiers, and applications pertaining thereto), which are presently, or in the future may be, owned, created, acquired, or used (whether pursuant to a license or otherwise) by Grantor, in

whole or in part, and all trademark rights with respect thereto throughout the world, including all proceeds thereof (including license royalties and proceeds of infringement suits), and rights to renew and extend such trademarks and trademark rights;

(iii) Each of the patents and patent applications which are presently, or in the future may be, owned, issued, acquired, or used (whether pursuant to a license or otherwise) by Grantor, in whole or in part, and all patent rights with respect thereto throughout the world, including all proceeds thereof (including license royalties and proceeds of infringement suits), foreign filing rights, and rights to extend such patents and patent rights;

(iv) All of Grantor's right, title, and interest, in and to the copyrights and copyright registrations listed on Schedule A, attached hereto, as the same may be updated hereafter from time to time;

(v) All of Grantor's right to the trademarks and trademark registrations listed on Schedule B, attached hereto, as the same may be updated hereafter from time to time;

(vi) All of Grantor's right, title, and interest, in and to the patents and patent applications listed on Schedule C, attached hereto, as the same may be updated hereafter from time to time;

(vii) All of Grantor's right to register copyright claims under any federal copyright law or regulation of any foreign country and to apply for registrations on original works, compilations, derivative works, collective works, and works for hire, the right (without obligation) to sue in the name of Grantor or in the name of Coast for past, present, and future infringements of the copyrights, and all rights (but not obligations) corresponding thereto in the United States and any foreign country;

(viii) All of Grantor's right, title and interest to register trademark claims under any state or federal trademark law or regulation of any foreign country and to apply for, renew, and extend the trademark registrations and trademark rights, the right (without obligation) to sue or bring opposition or cancellation proceedings in the name of Grantor or in the name of Coast for past, present, and future infringements of the trademarks, registrations, or trademark rights and all rights (but not obligations) corresponding thereto in the United

States and any foreign country, and the associated goodwill;

(ix) All of Grantor's right, title, and interest in all patentable inventions, and to file applications for patent under federal patent law or regulation of any foreign country, and to request reexamination and/or reissue of the patents, the right (without obligation) to sue or bring interference proceedings in the name of Grantor or in the name of Coast for past, present, and future infringements of the patents, and all rights (but not obligations) corresponding thereto in the United States and any foreign country;

(x) All general intangibles relating to the foregoing; and

(xi) All proceeds of any and all of the foregoing (including, without limitation, license royalties and proceeds of infringement suits) and, to the extent not otherwise included, all payments under insurance, or any indemnity, warranty, or guaranty payable by reason of loss or damage to or otherwise with respect to the Collateral.

**"Obligations"** means all obligations, liabilities, and indebtedness of Grantor to Coast, whether direct, indirect, liquidated, or contingent, and whether arising under this Agreement, the Loan Agreement, any other of the Loan Documents, or otherwise, including all costs and expenses described in Section 11.8 hereof.

**1.2 Construction.** Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, and the term "including" is not limiting. The words "hereof," "herein," "hereby," "hereunder," and other similar terms refer to this Agreement as a whole and not to any particular provision of this Agreement. Any initially capitalized terms used but not defined herein shall have the meaning set forth in the Loan Agreement. Any reference herein to any of the Loan Documents includes any and all alterations, amendments, extensions, modifications, renewals, or supplements thereto or thereof, as applicable. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Coast or Grantor, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by Grantor, Coast, and their respective counsel, and shall be construed and

interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of Coast and Grantor.

## 2. GRANT OF SECURITY INTEREST.

### 2.1 Grant of Security Interest.

Grantor hereby grants to Coast a first-priority security interest in all of Grantor's right, title, and interest in and to the Collateral to secure the Obligations

## 3. REPRESENTATIONS, WARRANTIES AND COVENANTS.

Grantor hereby represents, warrants, and covenants that:

### 3.1 Collateral.

(i) A true and complete schedule setting forth all federal copyright registrations owned or controlled by Grantor or licensed to Grantor, together with a summary description and full information in respect of the filing or issuance thereof and expiration dates is set forth on Schedule A;

(ii) A true and complete schedule setting forth all federal and state trademark registrations owned or controlled by Grantor or licensed to Grantor, together with a summary description and full information in respect of the filing or issuance thereof and expiration dates is set forth on Schedule B;

(iii) A true and complete schedule setting forth all patent and patent applications owned or controlled by Grantor or licensed to Grantor, together with a summary description and full information in respect of the filing or issuance thereof and expiration dates is set forth on Schedule C;

**3.2 Validity; Enforceability.** Each of the copyrights, patents and trademarks is valid and enforceable, and Grantor is not presently aware of any past, present, or prospective claim by any third party that any of the copyrights, patents or trademarks are invalid or unenforceable, or that the use of any copyrights, patents or trademarks violates the rights of any third person, or of any basis for any such claims;

**3.3 Title.** Grantor is the sole and exclusive owner of the entire and unencumbered right, title, and interest in and to each of the copyrights, copyright registrations, patents, patent applications, trademarks, and trademark

registrations, free and clear of any liens, charges, and encumbrances, including pledges, assignments, licenses, shop rights, and covenants by Grantor not to sue third persons;

**3.4 Notice.** Grantor has used and will continue to use proper statutory notice in connection with its use of each of the copyrights, patents and trademarks;

**3.5 Quality.** Grantor has used and will continue to use consistent standards of high quality (which may be consistent with Grantor's past practices) in the manufacture, design, sale, and lease of products and the delivery of services under or in connection with the trademarks, including, to the extent applicable, in the operation and maintenance of its merchandising operations, and will continue to maintain the validity of the trademarks;

**3.6 Perfection of Security Interest.** Except for the filing of a financing statement with the Secretary of State of California and filings with the United States Patent and Trademark Office necessary to perfect the security interests created hereunder, no authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either for the grant by Grantor of the security interest hereunder or for the execution, delivery, or performance of this Agreement by Grantor or for the perfection of or the exercise by Coast of its rights hereunder to the Collateral in the United States.

## 4. AFTER-ACQUIRED COPYRIGHT, PATENT OR TRADEMARK RIGHTS.

**4.1 After-Acquired Copyright, Patent or Trademark Rights.** If Grantor shall obtain rights to any new copyrights, trademarks, any new patentable inventions or become entitled to the benefit of any patent application or patent for any reissue, division, or continuation, of any patent, the provisions of this Agreement shall automatically apply thereto. Grantor shall give prompt notice in writing to Coast with respect to any such new copyrights, trademarks or patents, or renewal or extension of any trademark registration. Grantor shall bear any expenses incurred in connection with future copyright registrations, patent applications or trademark registrations.

## 5. LITIGATION AND PROCEEDINGS.

**5.1 Litigation and Proceedings.** Grantor shall commence and diligently prosecute



in its own name, as the real party in interest, for its own benefit, and its own expense, such suits, administrative proceedings, or other action for infringement or other damages as are in its reasonable business judgment necessary to protect the Collateral. Grantor shall provide to Coast any information with respect thereto requested by Coast. Coast shall provide at Grantor's expense all necessary cooperation in connection with any such suits, proceedings, or action, including, without limitation, joining as a necessary party. Following Grantor's becoming aware thereof, Grantor shall notify Coast of the institution of, or any adverse determination in, any proceeding in the United States Patent and Trademark Office, or any United States, state, or foreign court regarding Grantor's claim of ownership in any of the copyrights, patents or trademarks, its right to apply for the same, or its right to keep and maintain such copyright, patent or trademark rights.

## 6. POWER OF ATTORNEY.

**6.1 Power of Attorney.** Grantor grants Coast power of attorney, having the full authority, and in the place of Grantor and in the name of Grantor, from time to time following an Event of Default in Coast's discretion, to take any action and to execute any instrument which Coast may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, as may be subject to the provisions of this Agreement: to endorse Grantor's name on all applications, documents, papers, and instruments necessary for Coast to use or maintain the Collateral; to ask, demand, collect, sue for, recover, impound, receive, and give acquittance and receipts for money due or to become due under or in respect of any of the Collateral; to file any claims or take any action or institute any proceedings that Coast may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce Coast's rights with respect to any of the Collateral and to assign, pledge, convey, or otherwise transfer title in or dispose of the Collateral to any person.

## 7. RIGHT TO INSPECT.

**7.1 Right to Inspect.** Grantor grants to Coast and its employees and agents the right to visit Grantor's plants and facilities which manufacture, inspect, or store products sold or leased under any of the copyrights, patents or trademarks, and to inspect the products and quality control records relating thereto at reasonable times during regular business hours.

## 8. EVENTS OF DEFAULT.

Any of the following events shall be an Event of Default:

**8.1 Loan Agreement.** An Event of Default shall occur as defined in the Loan Agreement;

**8.2 Misrepresentation.** Any representation or warranty made herein by Grantor or in any document furnished to Coast by Grantor under this Agreement is incorrect in any material respect when made or when reaffirmed; and

**8.3 Breach.** Grantor fails to observe or perform any covenant, condition, or agreement to be observed or performed pursuant to the terms hereof which materially and adversely affects Coast.

## 9. SPECIFIC REMEDIES.

Upon the occurrence of any Event of Default, Coast shall have, in addition to, other rights given by law or in this Agreement, the Loan Agreement, or in any other Loan Document, all of the rights and remedies with respect to the Collateral of a secured party under the Code, including the following:

**9.1 Notification.** Coast may notify licensees to make royalty payments on license agreements directly to Coast;

**9.2 Sale.** Coast may sell or assign the Collateral and associated goodwill at public or private sale for such amounts, and at such time or times as Coast deems advisable. Any requirement of reasonable notice of any disposition of the Collateral shall be satisfied if such notice is sent to Grantor five (5) days prior to such disposition. Grantor shall be credited with the net proceeds of such sale only when they are actually received by Coast, and Grantor shall continue to be liable for any deficiency remaining after the Collateral is sold or collected. If the sale is to be a public sale, Coast shall also give notice of the time and place by publishing a notice one time at least five (5) days before the date of the sale in a newspaper of general circulation in the county in which the sale is to be held. To the maximum extent permitted by applicable law, Coast may be the purchaser of any or all of the Collateral and associated goodwill at any public sale and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any

portion of the Collateral sold at any public sale, to use and apply all or any part of the Obligations as a credit on account of the purchase price of any collateral payable by Coast at such sale.

**10. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.**

**10.1 CHOICE OF LAW AND VENUE.** THE VALIDITY OF THIS AGREEMENT, ITS CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT GIVING EFFECT TO ITS CONFLICT OF LAWS PRINCIPLES. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA OR, AT THE SOLE OPTION OF COAST, IN ANY OTHER COURT IN WHICH COAST SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH OF GRANTOR AND COAST WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 10.

**10.2 JURY TRIAL WAIVER.** GRANTOR AND COAST HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. GRANTOR AND COAST REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

**11. GENERAL PROVISIONS.**

**11.1 Effectiveness.** This Agreement shall be binding and deemed effective when executed by Grantor and Coast.

**11.2 Successors and Assigns.** This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that Grantor may not assign this Agreement or any rights or duties hereunder without Coast's prior written consent and any prohibited assignment shall be absolutely void. Coast may assign this Agreement and its rights and duties hereunder and no consent or approval by Grantor is required in connection with any such assignment.

**11.3 Section Headings.** Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each section applies equally to this entire Agreement.

**11.4 Interpretation.** Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Coast or Grantor, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

**11.5 Severability of Provisions.** Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

**11.6 Amendments in Writing.** This Agreement can only be amended by a writing signed by both Coast and Grantor.

**11.7 Counterparts; Telefacsimile Execution.** This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall be equally as effective as delivery of a manually executed counterpart of this Agreement. Any party delivering an executed counterpart of this

Agreement by telefacsimile also shall deliver a manually executed counterpart of this Agreement but the failure to deliver a manually executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement.

**11.8 Fees and Expenses.** Grantor shall pay to Coast on demand all costs and expenses that Coast pays or incurs in connection with the negotiation, preparation, consummation, administration, enforcement, and termination of this Agreement, including: (a) reasonable attorneys' and paralegals' fees and disbursements of counsel to Coast; (b) costs and expenses (including reasonable attorneys' and paralegals' fees and disbursements) for any amendment, supplement, waiver, consent, or subsequent closing in connection with this Agreement and the transactions contemplated hereby; (c) costs and expenses of lien and title searches; (d) taxes, fees, and other charges for filing this Agreement at the United States Patent and Trademark Office, or for filing financing statements, and continuations, and other actions to perfect, protect, and continue the security interest created hereunder; (e) sums paid or incurred to pay any amount or take any action required of Grantor under this Agreement that Grantor fails to pay or take; (f) costs and expenses of preserving and protecting the Collateral; and (g) costs and expenses (including reasonable attorneys' and paralegals' fees and disbursements) paid or incurred to enforce the security interest created hereunder, sell or otherwise realize upon the Collateral, and otherwise enforce the provisions of this Agreement, or to defend any claims made or threatened against Coast arising out of the transactions contemplated hereby (including preparations for the consultations concerning any such matters). The foregoing shall not be construed to limit any other provisions of this Agreement or the Loan Documents regarding costs and expenses to be paid by Grantor. The parties agree that reasonable attorneys' and paralegals' fees and costs incurred in enforcing any judgment are recoverable as a separate item in addition to fees and costs incurred in obtaining the judgment and that the recovery of such attorneys' and paralegals' fees and costs is intended to survive any judgment, and is not to be deemed merged into any judgment.

**11.9 Notices.** Except as otherwise provided herein, all notices, demands, and requests that either party is required or elects to give to the other shall be in writing and shall be governed by the provisions of Section 9.5 of the Loan Agreement.

**11.10 Integration.** This Agreement, together with the other Loan Documents, reflect the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first written above.

COAST:

COAST BUSINESS CREDIT,  
a division of Southern Pacific Bank

By: Richard Randoz  
Title: VP-Underwriting

GRANTOR:

MIDLAND INTERNATIONAL TILEWORKS, INC.  
an Iowa corporation

By: William J. Mc  
President  
By: Deborah Storsythe  
Secretary