

11-08-2000

10-23-00



101509886  
RECORDATION FORM COVER SHEET  
TRADEMARKS ONLY

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- ☒ New
- ☐ Resubmission (Non-Recordation)  
Document ID #
- ☐ Correction of PTO Error  
Reel #  Frame #
- ☐ Corrective Document  
Reel #  Frame #

Conveyance Type

- ☐ Assignment ☐ License
- ☐ Security Agreement ☐ Nunc Pro Tunc Assignment  
Effective Date  
Month Day Year
- ☐ Merger
- ☐ Change of Name
- ☒ Other

Conveying Party

☐ Mark if additional names of conveying parties attached

Execution Date  
Month Day Year

Name

07 31 2000

Formerly

75639863

- ☐ Individual ☐ General Partnership ☐ Limited Partnership ☒ Corporation ☐ Association
- ☐ Other

☒ Citizenship/State of Incorporation/Organization

Receiving Party

☒ Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City

State/Country

Zip Code

- ☐ Individual ☐ General Partnership ☐ Limited Partnership
- ☐ Corporation ☒ Association
- ☐ Other

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

☒ Citizenship/State of Incorporation/Organization

FOR OFFICE USE ONLY

11/01/2000 DBYRNE 00000173 75639863

01 FC481  
02 FC482

10.00  
950.00

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Mail documents to be recorded with required cover sheet(s) information to:  
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

TRADEMARK  
REEL: 002169 FRAME: 0692

**Domestic Representative Name and Address**

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

**Correspondent Name and Address**

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

**Pages** Enter the total number of pages of the attached conveyance document including any attachments. #

**Trademark Application Number(s) or Registration Number(s)**

☒ Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

**Trademark Application Number(s)**

**Registration Number(s)**

<input type="text" value="75639863"/>	<input type="text" value="75821105"/>	<input type="text" value="75821104"/>	<input type="text" value="2282827"/>	<input type="text" value="2237743"/>	<input type="text" value="1273659"/>
<input type="text" value="75731586"/>	<input type="text" value="75558981"/>	<input type="text" value="75348223"/>	<input type="text" value="1714345"/>	<input type="text" value="2273091"/>	<input type="text" value="2311415"/>
<input type="text" value="75751879"/>	<input type="text" value="75592628"/>	<input type="text" value="75467924"/>	<input type="text" value="1435712"/>	<input type="text" value="1343457"/>	<input type="text" value="2323913"/>

**Number of Properties** Enter the total number of properties involved. #

**Fee Amount** Fee Amount for Properties Listed (37 CFR 3.41): \$

Method of Payment: Enclosed ☒ Deposit Account ☐

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number: #

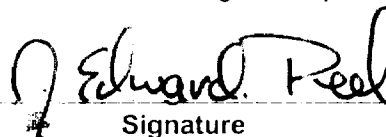
Authorization to charge additional fees: Yes ☐ No ☐

**Statement and Signature**

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

J. Edward Peel

Name of Person Signing



Signature

October 10, 2000

Date Signed

RECORDATION FORM COVER SHEET  
CONTINUATION  
TRADEMARKS ONLY

Conveying Party

Enter Additional Conveying Party

☐

Mark if additional names of conveying parties attached

Execution Date

Month Day Year

Name

Formerly

☐

Individual

☐

General Partnership

☐

Limited Partnership

☐

Corporation

☐

Association

☐

Other

☐

Citizenship State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

☐

Mark if additional names of receiving parties attached

Name

Hibernia National Bank

DBA/AKA/TA

Composed of

Address (line 1)

National Accounts Department

Address (line 2)

313 Carondelet Street

Address (line 3)

New Orleans

City

Louisiana

State/Country

70130

Zip Code

☐

Individual

☐

General Partnership

☐

Limited Partnership

☐

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached (Designation must be a separate document from the Assignment.)

☐

Corporation

☐

Association

☐

Other

☒

Citizenship/State of Incorporation/Organization

national banking association

Trademark Application Number(s) or Registration Number(s)

☐

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

75467923

75767066

75592633

Registration Number(s)

1461041

1431254

1434820

2020216

1429411

2030976

2330733

1477793

2007119

1431256

2048612

1530977

2251928

1236848

1445291

1392693

1539759

1940137

TRADEMARK

REEL: 002169 FRAME: 0694

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of July 31, 2000, made by **CATHERINES OF CALIFORNIA, INC.**, a California corporation (the "Debtor"), in favor of **AMSOUTH BANK**, with a place for the conduct of business in Memphis, Tennessee ("AmSouth" and in its capacity as agent, the "Agent") individually and as agent for itself and Hibernia National Bank ("Hibernia") (AmSouth and Hibernia, their respective successors, transferees and assigns are sometimes hereinafter collectively referred as the "Banks").

### WITNESSETH:

#### RECITALS:

A. Pursuant to that certain Credit Agreement dated of even date herewith (the "Credit Agreement") the Banks have agreed to extend certain credit facilities to the Company and other Borrowers identified in the Credit Agreement, including extending a Swingline Loan and a Letter of Credit Facility, all upon and subject to the conditions set forth therein.

B. It is a condition precedent to the obligation of the Banks to extend the credit facilities under the Credit Agreement that the Debtor shall have executed and delivered this Security Agreement to the Banks.

C. The Banks are not obligated to make Loans or issue Letters of Credit under the Credit Agreement unless, among other conditions to be satisfied, this Security Agreement has been executed by the Debtor and delivered to the Agent.

NOW, THEREFORE, in consideration of the above Recitals and the matters set forth in the Recitals to the Credit Agreement and the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms which are defined in the Credit Agreement and used herein are used as so defined. In addition, the following terms shall have the following meanings:

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

"General Intangible" shall have the meaning ascribed to it in the UCC; provided, however, General Intangible shall not include any rights, titles or interests under, or proceeds from, the Merchant Services Agreement or any receivables arising out of the Debtor's use of the credit card facility under the Merchant Services Agreement.

"Inventory" shall mean all inventory, wherever located, now owned or hereafter acquired by any Borrower or in which any Borrower now has or hereafter acquires any right, title or interest, including, without limitation, all goods and other personal property now or hereafter owned by any Borrower which are held for sale or lease or are furnished or are to be furnished under a contract of service or which constitute raw materials, work in process or materials used or finished goods, including, but not limited to, all inventory as defined in Section 9-109(4) of the UCC.

"Loans" shall mean the Swingline Loans.

"Merchant Services Agreement" shall mean that certain Merchant Services Agreement between the Company and Hurley State Bank dated December 1, 1998, as amended, restated or replaced from time to time together with all agreements attached thereto as schedules and exhibits.

"Notes" shall mean, collectively, the Letter of Credit Notes and the Swingline Note, as more particularly described in the Credit Agreement.

"Obligations" shall mean the unpaid principal amount of, and interest on (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 Borrowers, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Notes and all other obligations and liabilities of the Borrowers to the Banks, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement, the Notes, the Letters of Credit, the Security Documents (including, without limitation, this Security Agreement) and any other document executed and delivered in connection therewith or herewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees and disbursements of counsel to Agent) that are required to be paid by the Borrowers pursuant to the terms of the Credit Agreement or otherwise.

"Patents" shall mean (a) all letters patent of the United States of America issued to Debtor now existing or hereafter created and all reissues and extensions thereof, including, without limitation, any thereof referred to in **Schedule I** hereto, and (b) all applications for letters patent of the United States of America issued to Debtor and all divisions, continuations and continuations-in-part thereof or any other country, including, without limitation, any thereof referred to in **Schedule I** hereto.

"Patent License" shall mean all agreements now existing or hereafter arising, whether written or oral, providing for the grant by the Debtor of any right to manufacture, use or sell any invention covered by a Patent, including, without limitation, any thereof referred to in **Schedule I** hereto.

**"Proceeds"** shall mean "proceeds," as such term is defined in Section 9-306(1) of the UCC and, to the extent not included in such definition, shall include, without limitation, (a) any and all proceeds of any insurance, indemnity, warranty, guaranty or letter of credit payable to the Debtor from time to time with respect to any of the Collateral, (b) all payments (in any form whatsoever) paid or payable to the Debtor from time to time in connection with any taking of all or any part of the Collateral by any governmental authority (or any person acting under color of governmental authority), (c) all judgments in favor of the Debtor in respect to the Collateral and (d) all other amounts from time to time paid or payable or received or receivable under or in connection with any of the Collateral; provided, however, Proceeds shall not include any rights, titles or interests under, or proceeds from, the Merchant Services Agreement or any receivables arising out of the Debtor's use of the credit card facility under the Merchant Services Agreement.

**"Security Agreement"** shall mean this Security Agreement, as amended, supplemented or otherwise modified from time to time.

**"Trademarks"** shall mean (a) all trademarks, trade names, corporate names, Debtor 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 of America, any State thereof or any other country or any political subdivision thereof referred to in **Schedule II** hereto, and (b) all renewals thereof.

**"Trade Secrets"** shall mean any proprietary information, process or system now or hereafter created which is used by the Debtor, including, without limitation, computer programs and customer lists.

**"Trademark License"** shall mean any agreement, written or oral, providing for the grant by the Debtor of any right to use any Trademark, including, without limitation, any thereof referred to in **Schedule II** hereto.

**"UCC"** shall mean the Uniform Commercial Code as from time to time in effect in the State of Tennessee.

2. **Grant of Security Interest.** 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 Debtor hereby assigns, pledges, and grants to AmSouth, individually and as Agent for the Banks, its successors, transferees and assigns, for their ratable benefit, a security interest in all of the following property now owned or at any time hereafter acquired by the Debtor or in which the Debtor now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"):

- A. all Inventory;
- B. all General Intangibles;
- C. all Patents;
- D. all Patent Licenses;
- E. all Trademarks;
- F. all Trademark Licenses;
- G. all Trade Secrets; and
- H. to the extent not otherwise included, all Proceeds and products of any and all of the foregoing.

3. Representations and Warranties. The Debtor hereby represents and warrants that:

A. Title; No Other Liens. Except for the Lien granted to Agent pursuant to this Security Agreement, the Debtor owns each item of the Collateral free and clear of any and all Liens or claims of others except Permitted Liens. 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 (i) such as may have been filed in favor of Agent, pursuant to this Security Agreement or (ii) as may be permitted pursuant to the Credit Agreement.

B. Perfected First Priority Liens. The Liens granted pursuant to this Security Agreement constitute perfected Liens on the Collateral in favor of Agent, which are prior to all other Liens (except Permitted Liens or any unreleased financing statements under the prior credit facility among the Borrowers and the Banks) on the Collateral created by the Debtor and in existence on the date hereof and which are enforceable as such against all creditors of and purchasers from the Debtor and against any owner or purchaser of the real property where any of the Collateral is located and any present or future creditor obtaining a Lien on such real property (except any state statutory liens not requiring filing). The Debtor acknowledges that financing statements have been filed under the Uniform Commercial Code in the appropriate offices in each of the states described in **Schedule III**, and with each of the entity names described in **Schedule III** being listed as "Debtor" on such financing statements as described in **Schedule III**.

C. Chief Executive Office. The Debtor's chief executive office and chief place of business is located at 3742 Lamar Avenue, Memphis, Tennessee 38118.

D. Farm Products. None of the Collateral constitutes, or is the Proceeds of, Farm Products, as defined in the UCC.

E. Patents and Trademarks. **Schedule I** hereto includes all Patents and Patent Licenses owned by the Debtor in its own name as of the date hereof. **Schedule II** hereto includes all Trademarks and Trademark Licenses owned by the Debtor in its own name as of the date hereof. To the best of the Debtor's knowledge, each Patent and Trademark shown on Schedules I and II is valid, subsisting, unexpired, enforceable and has not been abandoned. Except as set forth in either such Schedule, none of such Patents and Trademarks is the subject of any licensing or franchise agreement. No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of any Patent or Trademark. Except as shown on **Schedule II**, no action or proceeding is pending (i) seeking to limit, cancel or question the validity of any Patent or Trademark, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Patent or Trademark.

F. Inventory. The Inventory is kept at the locations listed on **Schedule IV** hereto which are the only locations at which such Property is kept.

G. No Consents, etc. No consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder or creditor of the Debtor), is required in connection with the execution, delivery, performance, validity or enforceability of this Security Agreement.

H. Power and Authority; Authorization. The Debtor has the corporate power and authority and the legal right to execute and deliver, to perform its obligations under, and to grant the Lien on the Collateral pursuant to, this Security Agreement and has taken all necessary corporate action to authorize its execution, delivery and performance of, and grant of the Lien on the Collateral pursuant to, this Security Agreement.

I. Enforceability. This Security Agreement constitutes a legal, valid and binding obligation of the Debtor enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally.

J. No Conflict. The execution, delivery and performance of this Security Agreement will not violate any provision of any Requirement of Law or material Contractual Obligation of the Debtor and will not result in the creation or imposition of any Lien on any of the properties or revenues of the Debtor pursuant to any Requirement of Law or Contractual Obligation of the Debtor which would constitute a Material Adverse Event.

K. No Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Debtor, threatened by or against the Debtor or against any of its properties or revenues with respect to this Security Agreement or any of the transactions contemplated hereby which could have a material adverse effect upon the Collateral taken as a whole or the granting of the security interests granted hereby.

4. Covenants. The Debtor covenants and agrees that, from and after the date of this Security Agreement until the Obligations are paid in full and the Commitments are terminated:



A. Further Documentation; Pledge of Instruments and Chattel Paper. At any time and from time to time, upon the written request of Agent, and at the sole expense of the Debtor, the Debtor will promptly and duly execute and deliver such further instruments and documents and take such further action as 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. The Debtor also hereby authorizes Agent to file any such financing or continuation statement without the signature of the Debtor 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, if permitted by the law of such jurisdiction. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument or Chattel Paper, such Instrument or Chattel Paper shall be immediately delivered to Agent, duly endorsed in a manner satisfactory to Agent, to be held as Collateral pursuant to this Security Agreement.

B. Indemnification. The Debtor agrees to pay, and to save Agent harmless from, any and all liabilities, costs and expenses (including, without limitation, reasonable legal fees and expenses) (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; provided, that the Debtor shall not be liable for the payment of any portion of such liabilities, costs or expenses resulting from the gross negligence or willful misconduct of Agent.

C. Maintenance of Records. The Debtor will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral. The Debtor will mark its internal books and records pertaining to the Collateral to evidence this Security Agreement and the security interests granted hereby. For the Agent's further security, Agent shall have a security interest in all the Debtor's books and records pertaining to the Collateral, and the Debtor shall make available for review any such books and records to Agent or to its representatives during normal business hours at the reasonable request of Agent.

D. Right of Inspection. Agent shall at all times, upon reasonable notice, have full and free access during normal business hours to all the books, correspondence and records of the Debtor, and Agent and its representatives may examine the same, take extracts therefrom and make photocopies thereof, and the Debtor agrees to render to Agent, at the Debtor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto. Agent shall keep any such information thereby obtained confidential as provided in subsection 12.5 of the Credit Agreement.

E. Compliance with Laws, etc. The Debtor 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 Debtor's business; provided, however, that the Debtor may contest any Requirement of Law in

any reasonable manner which shall not, in the reasonable opinion of Agent, materially adversely affect the Agent's rights or the priority of its Liens on the Collateral.

F. Payment of Obligations. The Debtor 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 danger 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 Debtor's books in accordance with GAAP.

G. Limitation on Liens on Collateral. The Debtor will not create, incur or permit to exist, will defend the Collateral against any Lien (other than a Permitted Lien), and will take commercially reasonable actions as are necessary to remove, any Lien or claim on or to the Collateral, other than the Liens created hereby and Permitted Liens, and will defend the right, title and interest of Agent in and to any of the Collateral against the claims and demands of all Persons whomsoever.

H. Limitations on Disposition of Collateral. The Debtor will not sell, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so, except for sales of assets permitted by the Credit Agreement. Concurrently with any such permitted disposition, the property acquired by a transferee in such disposition shall automatically be released from the security interest granted hereby. It is acknowledged and agreed that notwithstanding any release of property from the security interest in accordance with the foregoing provisions of this clause H., the security interest shall in any event continue in the Proceeds of Collateral except as provided in Section 7 of this Agreement. Agent shall promptly execute and deliver any releases, instruments or documents reasonably requested by the Debtor to accomplish or confirm the release of Collateral provided by this clause H., except with respect to sales of Inventory in the continuing course of business. Any such instrument or document accomplishing or confirming the release of Collateral provided by Agent shall specifically describe that portion of the Collateral to be released, shall be expressed to be unconditional and shall be without recourse or warranty (other than a warranty that Agent has not assigned its rights and interests to any other Person). The Debtor shall pay all of Agent's reasonable expenses (including legal fees) in connection with preparing any instrument or document accomplishing or confirming any release of Collateral.

I. Maintenance of Insurance. The Debtor will maintain, with financially sound and reputable companies, insurance in accordance with the terms of subsection 7.6 of the Credit Agreement.

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

K. Notices. The Debtor will advise 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 Liens) on, or 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.

L. Changes in Locations, Name, etc. The Debtor will not (i) change the location of its chief executive office/chief place of business from that specified in Section 3.C., or remove its books and records from the location specified in Section 3.C., (ii) change its name, identity or corporate structure to such an extent that any financing statement filed by Agent in connection with this Security Agreement would become seriously misleading, without giving 45 days prior written notice to Agent of any such event or change. The Debtor will provide written notice to Agent of any new store location within 45 days after its opening for business.

M. Patents and Trademarks

(i) The Debtor (either itself or through licensees) will, except with respect to any Trademark that the Debtor shall reasonably determine is of negligible economic value to it, (i) continue to use each Trademark in order to maintain such Trademark in full force, free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) use reasonable efforts to employ such Trademark with the appropriate notice of registration, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark, unless within 45 days after such use or adoption Agent shall obtain a perfected security interest in such mark pursuant to this Security Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any Trademark may become invalidated.

(ii) The Debtor will not, except with respect to any Patent that the Debtor shall reasonably determine is of negligible economic value to it, do any act, or omit to do any act, whereby any Patent may become abandoned or dedicated.

(iii) The Debtor will notify Agent immediately if it knows, or has reason to know, that any application or registration relating to any 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 or any court or tribunal in any country) regarding the Debtor's ownership of any Patent or Trademark or its right to register the same or to keep and maintain the same.

(iv) Whenever the Debtor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Patent or Trademark with the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof, the Debtor shall report such filing to Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon the request of Agent, the Debtor shall execute and deliver any and all agreements, instruments, documents, and papers as

Agent may request to evidence Agent's security interest in any Patent or Trademark and the goodwill and general intangibles of the Debtor relating thereto or represented thereby, and the Debtor hereby constitutes Agent its attorney-in-fact to execute and file all such writings for the foregoing purposes, 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 Commitments are terminated.

(v) The Debtor, except with respect to any Patent or Trademark the Debtor shall reasonably determine is of immaterial economic value, will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark 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 Patents and Trademarks, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

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

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

A. Powers. The Debtor hereby irrevocably constitutes and appoints 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 Debtor and in the name of the Debtor or in its own name, from time to time after the occurrence and during the continuation of an Event of Default in Agent's discretion, for the purpose of carrying out the terms of this Security Agreement, 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 Debtor hereby gives Agent the power and right, on behalf of the Debtor, without notice to or assent by the Debtor, to do the following:

(i) at any time when any Event of Default shall have occurred and is continuing, in the name of the Debtor 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 with respect to any 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 Agent for the purpose of collecting any and all such moneys due with respect to any Collateral whenever payable;

(ii) 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, provided that if such taxes are being contested in good faith and by appropriate proceedings, Agent will consult with the Debtor before making any such payment; and

(iii) upon the occurrence and during the continuance of any Event of Default, (A) to direct any party liable for any payment of any and all moneys due or to become due thereunder directly to Agent or as 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 Debtor 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 Agent may reasonably deem appropriate; (G) to assign any Patent or Trademark (along with the goodwill of the business to which any such Trademark pertains) throughout the world for such term or terms, on such conditions, and in such manner, as the agent shall in its sole discretion determine; and (H) 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 Agent were the absolute owner thereof for all purposes, and to do (at the Agent's option and the Debtor's expense) at any time, or from time to time, all acts and things which Agent reasonably deems necessary to protect, preserve or realize upon the Collateral and Agent's Liens thereon and to effect the intent of this Security Agreement, all as fully and effectively as the Debtor might do.

The Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

B. Other Powers. The Debtor also authorizes Agent, at any time and from time to time, to execute, in connection with the sale provided for in Section 8 hereof, any indorsement, assignments or other instruments of conveyance or transfer with respect to the Collateral.

C. No Duty on Agent's Part. The powers conferred on Agent hereunder are solely to protect Agent's interests in the Collateral and shall not impose any duty upon Agent to exercise any such powers. Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Debtor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

6. Performance by Agent of Debtor's Obligations. If the Debtor fails to perform or comply with any of its agreements contained herein and Agent, as provided for by the terms of this Security Agreement, shall itself perform or comply, or otherwise cause the performance or compliance, with such agreement, the reasonable expenses of Agent incurred in connection with such performance or compliance, together with interest thereon at a rate per annum of 3.0% above

the AmSouth Rate, shall be payable by the Debtor to Agent on demand and shall constitute Obligations secured hereby; provided, however, that Agent shall in any event first have given written notice of its intent to do the same and the Debtor shall not have performed or complied with such agreement contained herein within 7 Business Days of such notice.

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

8. Remedies. If an Event of Default shall occur and be continuing, Agent may exercise (in addition to all other rights and remedies granted to it 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 UCC. Without limiting the generality of the foregoing, Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Debtor 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 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. Agent 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 Debtor, which right or equity is hereby waived or released, as the case may be. If an Event of Default shall occur and be continuing, the Debtor further agrees, at Agent's request to assemble the Collateral and make it available to Agent at such place or places as Agent shall reasonably select, whether at the Debtor's premises or elsewhere. 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 Agent hereunder, including, without limitation, attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as Agent may elect, and only after such application and after the payment by Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the UCC, need the Agent account for the surplus, if any, to the Debtor. To the extent permitted by applicable law, the Debtor waives all claims, damages and demands it may acquire against Agent of any of its rights under this Security

Agreement, except to the extent arising from the gross negligence or willful misconduct of Agent. 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 Debtor 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 Agent to collect such deficiency.

9. Limitation on Duties Regarding Presentation of Collateral. Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in their possession, under Section 9-207 of the UCC or otherwise, shall be to deal with it in the same manner as Agent would deal with similar property for its own account. Neither Agent, nor any of its 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 Debtor or otherwise.

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

11. 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.

12. 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 to be taken into consideration in the interpretation hereof.

13. No Waiver; Cumulative Remedies. Agent shall not by any act (except by a written instrument pursuant to paragraph 14 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 or exercise, nor any delay in exercising, on the part of Agent, 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 Agent of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Agent 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.

14. Waivers and Amendments; Successors and Assigns. 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 Debtor and Agent, provided that any provision of this Security Agreement may be waived by Agent in a written letter or agreement executed by the Agent or by telex or facsimile transmission from Agent. This Security Agreement shall be binding upon

the successors and assigns of the Debtor and shall inure to the benefit of Agent and its successors, transferees and assigns.

15. Notices. Notices hereunder shall be given by mail, addressed to the Person to which it is being given at such Person's address set forth below and shall be effective three days after deposit in the postal system, first class postage prepaid, addressed as follows, or to such other address as may be hereafter notified by the respective parties hereto and any future holder of a Note:

Debtor: Catherines of California, Inc.  
3742 Lamar Avenue  
Memphis, TN 38118

with a copy to: c/o Catherines, Inc.  
450 Winks Lane  
Bensalem, Pennsylvania  
Attn: Legal Department and Chief Financial Officer

AmSouth or Agent: AmSouth Bank  
6000 Poplar Avenue, Suite 300  
Memphis, Tennessee 38119  
Attn: Jonathan C. Tutor

Hibernia: Hibernia National Bank  
National Accounts Department  
313 Carondelet Street  
New Orleans, LA 70130  
Attn: Angela Bentley

16. Termination. Upon the occurrence of all of the following: (i) the payment in full in cash of the outstanding principal of and interest on all of the Loans, all the Notes, the L/C Obligations, all fees, other expenses and other Obligations accrued as of the date of payment, (ii) the cash collateralization of each issued and outstanding Letter of Credit so that it is fully secured, and (iii) the expiration or termination of the Commitments, the security interests granted hereby (other than cash collateral on deposit securing issued and outstanding Letters of Credit), shall terminate and all rights to the Collateral (other than cash collateral on deposit securing issued and outstanding Letters of Credit), shall revert to the Debtor. Upon any such termination, Agent shall reassign and redeliver any Collateral then held by or for Agent, if any, and execute and deliver to the Debtor, at the Debtor's expense, such documents as it shall reasonably request to evidence such termination. With respect to any Letter of Credit, "fully secured" shall mean that the contingent obligation of the Debtor to reimburse the Issuing Bank for any subsequent drawings thereafter made shall be fully secured beforehand by cash collateral specifically held by Agent for such purposes in an amount



equal to the undrawn amount of such Letter of Credit or otherwise be secured in a manner acceptable to the Issuing Bank.

17. Governing Law. This Security Agreement and the rights and obligations of the Debtor under this Security Agreement shall be governed by, and construed and interpreted in accordance with, the law of the State of Tennessee.

18. Submission to Jurisdiction; Waivers. The Debtor hereby irrevocably and unconditionally:

A. submits for itself and its property in any legal action or proceeding relating to this Security Agreement, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of Tennessee, the courts of the United States of America for the Western District of Tennessee and appellate courts from any thereof;

B. consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the value of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

C. agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Debtor at its address set forth with its signature below or at such other address of which Agent shall have been notified pursuant thereto;

D. agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

E. agrees that a final judgment in such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any manner provided by law.

19. Acknowledgments. The Debtor hereby acknowledges that:

A. it has been advised by counsel in the negotiation, execution and delivery of this Security Agreement and the other Basic Documents to which it is a party;

B. Agent has no fiduciary relationship to the Debtor, and the relationship between Agent, on one hand, and Debtor on the other hand, is solely that of debtor and creditor; and

C. no joint venture exists between Agent and the Debtor.

20. Waivers of Jury Trial. The Debtor and, by its acceptance hereof, Agent hereby irrevocably and unconditionally waive trial by jury in any legal action or proceeding relating to this Security Agreement and for any counterclaim therein.

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

CATHERINES OF CALIFORNIA, INC.

By: 

Name: Anthony A. DeSobato

Title: Executive Vice President

**SCHEDULE I TO SECURITY AGREEMENT**

**PATENTS**

NONE.

# SCHEDULE II

A. The following registrations and applications for registration are in the name of  
Catherines of California, Inc.

<u>Mark</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Status</u>
ADDED DIMENSIONS	2,282,827	10/5/99	Current (§ 8 Declaration due 10/5/04-05)
ADDED DIMENSIONS	1,714,345	9/8/92	Current (Renewal due 9/8/02)
A. D. SPORT	1,435,712	4/7/87	Current (Renewal due 4/7/07)
ANNA MAXWELL	2,237,743	4/6/99	Current (§ 8 Declaration due 4/6/04-05)
ANDRE BENOIR	2,273,091	8/24/99	Current (§ 8 Declaration due 8/24/04-05)
CATHERINE'S PLUS SIZES	75/639,863	2/12/99	Approved for Publication 6/6/2000
CATHERINE'S PLUS SIZES	75/731,586	6/16/99	Response to a non-final Office Action filed 12/21/99
CATHERINE'S PLUS SIZES plus design	75/751,879	7/13/99	Response to a non-final Office Action filed 12/29/99
CATHERINES	1,343,457	6/18/85	Current (Renewal due 6/18/05)
CBO	1,273,659	4/10/84	Current (Renewal due 4/10/2004)
CBO	75/821,105	10/12/99	Suspended pending cancellation of Reg. No. 1,273,659 - "CBO"
CBO NEW YORK	75/558,981	9/25/98	Response to a non-final Office Action filed 11/8/99
C.S.T. SPORT	75/592,214	11/19/98	Statement of Use Accepted 5/24/2000
C.S.T. SPORT PETITES	75/592,628	11/19/98	Statement of Use Accepted 5/27/2000
C.S.T. INTIMATES	75/821,109	10/12/99	Published for Opposition 5/16/2000
CST BLUES	2,311,415	1/25/00	Current (§ 8 Declaration due 1/25/06)
CST BLUES PETITES plus design	2,323,913	2/29/00	Current (§ 8 Declaration due 2/29/06)
C.S.T. STUDIO	1,461,041	10/13/87	Current (Renewal due 10/13/07)

A. The following registrations and applications for registration are in the name of  
Catherines of California, Inc. (Cont'd)

FAIRFAX COUNTY	1,431,254	3/3/87	Current (Renewal due 3/3/07)
GROVE AVENUE	1,434,820	3/31/87	Current (Renewal due 3/31/07)
JUST ME	2,020,216	12/3/96	Current (§ 8 Declaration due 12/3/01-02)
JON LAWRENCE	1,429,411	2/17/87	Current (Renewal due 2/17/07)
KAREN & CO.	2,030,976	1/14/97	Current (§ 8 Declaration due 1/14/02-03)
KAREN & CO.	2,330,733	3/21/00	Current (Registered)
KATHY WHITE	1,477,793	2/23/88	Current (Renewal due 2/23/08)
KATE & CO.	75/348,223	8/28/97	Subject of Opposition No. 116,573, <u>Alex Noel, Inc. v. Catherines of California, Inc.</u> ; discovery period to close on 8/15/2000.
LINDA KAREN	2,007,119	10/8/96	Current (§ 8 Declaration due 10/8/01-02)
LIZ & ME	1,431,256	3/3/87	Current (Renewal due 3/3/07)
LK INTIMATES BY LINDA KAREN	75/467,924	4/14/98	Notice of Allowance issued 12/28/99
LK SPORT BY LINDA KAREN	2,048,612	4/1/97	Current (§ 8 Declaration due 4/1/02-03)
LK BLUES BY LINDA KAREN	75/467,923	4/14/98	Subject of Opposition No. 117,058 - <u>LMH, Inc. v. Catherines of California, Inc.</u> ; discovery period to close on 9/30/2000.
L.K. KHAKI	75/767,066	8/3/99	Response to a non-final Office Action filed 6/6/00
MAGGIE BARNES	1,530,977	3/21/89	Current (Renewal due 3/21/09)
POSITIVELY PLUS plus design	2,251,928	6/8/99	Current (§ Declaration due 6/8/04-05)

A. The following registrations and applications for registration are in the name of  
Catherines of California, Inc. (Cont'd)

<u>Mark</u>	<u>Ser. No.</u>	<u>Filed</u>	<u>Status</u>
PS PLUS SIZES	75/592,633		Published for Opposition 5/2/2000
PS PLUS SIZES PLUS SAVINGS	1,236,848	5/3/83	Current (Renewal due 4/8/03)
SHEER DIMENSIONS	1,445,291	6/30/87	Current (Renewal due 6/30/07)
THE ANSWER THE ELEGANT LARGE SIZE DISCOUNTER plus design	1,392,693	5/6/86	Current (Renewal due 5/6/06)
THE ANSWER LARGE SIZES FOR LESS	1,539,759	5/16/89	Current (Renewal due 5/16/09)
WHITNEY. DUNN & MOORE	1,940,137	2/5/95	Current (§ 8 Declaration due 2/5/00-01)

**SCHEDULE III TO SECURITY AGREEMENT**

Based on Store Listings Supplied by the Debtor

UCC Filing Jurisdictions

STATE

FILING OFFICE

DEBTOR

CA

Secretary of State

Catherines of California, Inc.

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California Stores  
SCHEDULE IV TO SECURITY AGREEMENT

#	ADDRESS	CITY	ST	ZIP
121	5757 Pacific Ave.	Stockton	CA	95207
262	2726 Ming Ave #7	Bakersfield	CA	93304
264	3071 W. Shaw Suite 101-103	Fresno	CA	93711
716	8428 Van Nuys Blvd.	Panorama City	CA	91402
719	17396 Colima	Rowland Hgts.	CA	91748
735	24418 Rockfield Blvd.	Lake Forest	CA	92630
737	633 Southland Mall	Hayward	CA	94545
738	12284 Hawthorne Plaza	Hawthorne	CA	90503
740	7235-4 Franklin	Sacramento	CA	95823
741	3950 Hardwick St.	Lakewood	CA	90712
755	5174 N Montclair Plaza Lane	Montclair	CA	91763
761	1309 S. Baldwin	Arcadia	CA	91007
774	3837 S. Bristol	Santa Ana	CA	92704
830	1266 South Auto Park Way, Space L	Escondido	CA	92029
831	2465-M Vista Way	Oceanside	CA	92054
832	151 Fletcher Parkway	El Cajon	CA	92020
833	4287 Genesee Ave.	San Diego	CA	92117
835	8986 Tampa Ave.	Northridge	CA	91324
842	294 Fox Hills Mall #A6	Culver City	CA	90230