



101624695

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

iBeauty.com Inc.,  
a New York corporation

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

Additional name(s) of conveying party(ies) attached?  Yes  No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other
- Merger
- Change of Name

Execution Date: \_\_\_\_\_

2. Name and address of receiving party(ies)

Name: Continental Casualty Company  
 Internal Address: 23 South - Attn: Investments  
 Street Address: 333 South Wabash Avenue  
 City: Chicago State: IL ZIP: 60685

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State
- Other Insurance Company

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

4. Application number(s) or patent number(s):

A. Trademark Application No.(s)

75/732,521      75/733,262  
 75/732,847  
 75/733,321  
 75/732,842  
 75/732,778

B. Trademark Registration No.(s)

Additional numbers attached?  Yes  No

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

Name: Willie Lewis  
 Internal Address: 14th Floor  
03/01/2001 GTOM11 00000170 75732521  
01 FC:481 40.00 DP  
02 FC:482 125.00 DP  
 Street Address: Chapman and Cutler  
111 West Monroe Street  
 City: Chicago State: IL ZIP: 60603

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

7. Total fee (37 CFR 3.41).....\$ 165.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

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.

Jeffrey A. Burger  
Name of Person Signing

Jeffrey A. Burger  
Signature

2/13/2001  
Date

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

RECEIVED  
 2001 FEB 27 PM 2:22  
 ASSIGNMENT SERVICES  
 DIVISION

Schedule 4(o)

**Intellectual Property**

**(i) Trademark (ibeaauty.com):**

Pending:

Int'l Class 3 (75/732,521) (beauty products)

Int'l Class 16 (Ser. No. 75/732,847) (printed materials)

Int'l Class 18 (Ser. No. 75/733,321) (luggage)

Int'l Class 35 (Ser. No. 75/732,842) (on-line retail services)

Int'l Class 42 (Ser. No. 75/732,778) (information services)

Notice of Allowance issued and Extension submitted:

Int'l Class 14 (75/733,262) (jewelry)

**Internet Domain Name:**

www.ibeaauty.com

**Proprietary Software:**

Owned: None

Licensed:

Blue Martini Software, Inc. (e-commerce platform)

GlobalCenter Inc. (hosting services)

Kana Communications, Inc. (customer service messaging)

LivePerson, Inc. (on-line customer service chat)

**(iv) Infringement:**

See Schedule 4(e)

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LOAN AND SECURITY AGREEMENT

by and between

IBEAUTY.COM INC.

and

CONTINENTAL CASUALTY COMPANY

February 23, 2001

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## LOAN AND SECURITY AGREEMENT

This LOAN AND SECURITY AGREEMENT (the "*Agreement*"), dated as of February 23, 2001, is made by and between IBEAUTY.COM INC., a New York corporation ("*Borrower*") and CONTINENTAL CASUALTY COMPANY, an Illinois insurance company ("*Lender*").

### RECITALS

WHEREAS, Borrower has requested that Lender make a loan to Borrower in the principal amount of \$1,000,000, and Lender has indicated its willingness to make such loan provided that the loan is secured by a first priority perfected lien and security interest in favor of Lender against all of Borrower's assets as set forth below.

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

*Section 1. The Loan.* (a) Subject to the satisfaction of the conditions set forth in Section 3, on the Closing Date (as defined below), Lender shall make a loan (the "*Loan*") to Borrower in an original principal amount of \$1,000,000 by wire transfer of immediately available funds to an account designated in writing by Borrower at least two business days prior to the Closing Date. "Closing Date" shall mean February 23, 2001.

(b) The Loan shall be evidenced by and repaid in accordance with a secured promissory note executed by Borrower in favor of Lender in an aggregate principal amount equal to \$1,000,000 in the form annexed hereto as Exhibit A hereto (said secured promissory note, together with any and all extensions, refinancings and renewals thereof and any notes issued in replacement or substitution therefor being herein collectively referred to as the "*Note*").

*Section 2. Grant of Security Interest.* In consideration of the premises, the indebtedness described in the Note, and as security for the prompt and complete payment and performance when due of all indebtedness and other obligations of Borrower under the Note, Borrower does hereby, unconditionally and irrevocably, pledge, mortgage, assign, warrant, set over, convey, grant, hypothecate, bargain, sell, demise, transfer and deliver (collectively, "*Transfer*") to Lender a continuing security interest, lien and right of set-off against all of Borrower's right, title and interest of whatsoever kind and nature in and to the following, in each case, as to each type of property described below, whether now owned or hereafter acquired, wherever located and whether now existing or hereafter arising from time to time (collectively, the "*Collateral*");

(a) all equipment in all of its forms (including, without limitation, all machinery, all computers, all data processing, computer or office equipment and all furniture), all fixtures and all parts thereof and all accessions thereto (any and all of the foregoing being the "*Equipment*");

(b) all inventory in all of its forms, wherever located, now or hereafter existing and all raw materials and work in process therefor, including (i) finished goods thereof and materials

used or consumed in the manufacture or production thereof, (ii) goods in which Borrower has an interest in mass or a joint or other interest or right of any kind (including, without limitation, goods in which Borrower has an interest or right as consignee) and (iii) goods that are returned to or repossessed by Borrower and all accessions thereto and products thereof and documents therefor (any and all such inventory, accessions, products and documents being the "Inventory"); and all negotiable and non-negotiable documents of title, including, without limitation, warehouse receipts, dock receipts and bills of lading issued by any person or entity covering any Inventory;

(c) all accounts, contract rights, chattel paper, instruments, deposit accounts, general intangibles, and other obligations of any kind, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, and all rights now or hereafter existing in and to all security agreements, hedge agreements, leases and other contracts securing or otherwise relating to any such accounts, contract rights, chattel paper, instruments, deposit accounts, general intangibles or obligations;

(d) the Assigned Agreements (as defined hereafter) listed on Schedule 4(s) hereto, as each such agreement may be amended, supplemented or otherwise modified from time to time, including (i) all rights of Borrower to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Assigned Agreements; (ii) all claims of Borrower for damages arising out of any breach of or default under the Assigned Agreements, and (iii) all rights of Borrower to terminate, amend, supplement, modify or exercise rights or options under the Assigned Agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder;

(e) all trademarks, trade names, trade secrets, service marks, Internet domain names, designs, logos, slogans, business names, patents, patent applications, industrial designs, certificates of invention, licenses, copyrights, rights of attribution, computer programs, databases and compilations, documentation relating to computer programs, registrations and franchise rights, all similar rights and general intangibles of like nature, and any and all other proceeds and products of the foregoing, together with any goodwill associated with any of the foregoing (any and all of the foregoing being the "Intellectual Property");

(f) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon;

(g) any interest in the equity or indebtedness of any partnership, limited liability company or corporation, any certificates representing such interest or other evidences of ownership interest in any manner, all security entitlements with respect to such interests, all interests of Borrower in the entries on the books of any securities intermediary pertaining to such interests, all dividends, distributions, payments, cash, instruments, warrants, rights and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any such interest, and all investment property (as defined in the Uniform

Commercial Code as in effect in the State of New York at such time (the “*NY UCC*”)) (any and all of the foregoing being the “*Securities Collateral*”);

(h) all cash, money (as defined in the NY UCC) and currency;

(i) all goodwill and, to the extent not included in any other paragraph of this Section, all other general intangibles (including, without limitation, tax refunds, rights to payment or performance, choses in action and judgment taken on any rights or claims included in the Collateral);

(j) all plant fixtures, business fixtures and other fixtures and storage and office facilities, and all accessions thereto and products thereof; and

(k) to the extent not covered by clauses (a) through (j) above, all other personal property of Borrower, all proceeds, products, rents and profits of or from any and all of the foregoing Collateral (including, without limitation, proceeds that constitute property of the type described in the following clauses) and, to the extent not otherwise included, all payments under insurance, whether or not the Lender is the loss payee thereof, or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral. For purposes of this Agreement, the term “proceeds” includes whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

*Section 3. Conditions to Lending.* The obligation of Lender to make the Loan hereunder shall be subject to the satisfaction of the following conditions precedent on or before the Closing Date (except as otherwise indicated):

(a) All third party consents, approvals and waivers necessary in connection with the transactions contemplated by this Agreement and the Note shall have been obtained and shall remain in effect.

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting Borrower pending or threatened before any court, governmental agency or arbitrator that (i) in the reasonable judgment of Lender will have a material adverse effect on Borrower or its assets, (ii) in the reasonable judgment of the Lender will have a material adverse effect on Dr. Samuel D. Waksal (the “*Guarantor*”) or his assets, or (iii) purports to materially affect the transactions contemplated by this Agreement, the Note, the UCC Form 1 (as defined below), the Guaranty Agreement (as defined below) or any other collateral security documents (this Agreement, the Note, the UCC Form 1 and all of the other collateral security documents, other than the Guaranty Agreement, are hereinafter referred to collectively, as the “*Transaction Documents*”).

(c) The Borrower shall deliver or cause to be delivered to Lender the following:

(i) All certificates or instruments representing or evidencing the Securities Collateral listed on Schedule 4(q) hereto in suitable form for transfer by delivery, or

accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Lender in its sole discretion;

(ii) Each document, including one or more Uniform Commercial Code Form 1 Financing Statements (collectively, "*UCC Form 1*"), required to be filed, registered or recorded in order to create, in favor of Lender, a perfected security interest in the Collateral with respect to the security interest granted herein and all funds necessary to complete such filing, registration or recording;

(iii) A written opinion of Phillips Nizer Benjamin Krim & Ballon LLP, Borrower's and Guarantor's counsel, substantially to the effect set forth in Exhibit A hereto, dated the Closing Date, addressed to Lender and acceptable to Lender in its sole discretion;

(iv) Executed originals of this Agreement and the Note;

(v) The organizational documents of Borrower certified as of a recent date by the appropriate governmental official;

(vi) A good standing certificate from the Department of State of the State of New York, dated the Closing Date or a recent date prior thereto;

(vii) A certificate of Borrower, dated the Closing Date (the statements in which shall be true and correct on and as of the Closing Date), certifying as to (A) the due organization and good standing of Borrower under the laws of New York, and the absence of any proceeding for the dissolution or liquidation of Borrower, (B) the truth of the representations and warranties contained in the Transaction Documents on and as of the Closing Date and (C) the absence of any event occurring and continuing, or that would result from the making of the Loan, that constitutes or would constitute an Event of Default;

(viii) A certificate executed on behalf of Borrower by an authorized officer of Borrower (i) certifying the names, capacities and true signatures of the persons authorized to sign on behalf of Borrower the Transaction Documents and the other documents to be delivered hereunder, (ii) certifying the Articles of Incorporation of the Borrower certified by the Secretary of State of the State of New York, (iii) certifying the current by-laws of the Borrower, and (iv) attaching thereto true copies of resolutions of the Board of Directors of Borrower authorizing Borrower to enter into the indebtedness and other obligations under the Note and this Agreement and authorizing Borrower to grant a first priority perfected lien and security interest in the Collateral;

(ix) Execution and delivery of account letter agreements for the benefit of the Lender of from each of the financial institutions holding deposit accounts for the benefit of the Borrower, all in form and substance satisfactory to the Lender;



(x) True, correct and complete copies of the Borrower's existing debt documents described in Schedule 5(h)(v) hereto;

(xi) Waivers from warehousemen Allou Health & Beauty Care, Inc., a Delaware corporation and ELM Freight Handlers, Inc., in form and substance satisfactory to the Lender;

(xii) Letters for the benefit of the Lender from each of the banks (collectively, the "*Banks*") at which the deposit accounts described in Section 4(u) of this Agreement have been established confirming, *inter alia*, the Lender's security interest in the deposit accounts, which letters shall be in form and substance satisfactory to the Lender (collectively, the "*Bank Letter Agreements*"); and

(xiii) Such other documents as Lender shall reasonably request.

(d) The Guarantor shall execute and deliver the Guaranty Agreement dated of even date herewith (the "*Guaranty*") for the benefit of the Lender.

*Section 4. Representations and Warranties of Borrower.* Borrower represents and warrants to Lender as follows:

(a) Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and is duly qualified to do business in every other state or jurisdiction in which the nature of its business requires such qualification. Borrower has all requisite corporate power and authority to own and lease its properties and to carry on its activities as now conducted and as proposed to be conducted. Borrower has one subsidiary as set forth in Schedule 4(a) hereto.

(b) The execution, delivery and performance by Borrower of the Transaction Documents and the consummation by Borrower of the transactions contemplated thereunder have been duly authorized by all necessary corporate action on the part of Borrower. Each of the Transaction Documents has been duly and validly executed and delivered by Borrower and constitutes the valid and binding obligation of Borrower, enforceable against it in accordance with its terms, subject to any limitations imposed by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, including, without limitation, laws relating to fraudulent transfers or conveyances, preferences and equitable subordination, including, without limitation, the effect of the Bankruptcy Reform Act of 1978, as amended, or any similar statute on the Loan Documents or the transactions contemplated thereby.

(c) The execution, delivery and performance by Borrower of the Transaction Documents and the consummation by Borrower of the transactions contemplated thereunder will not, with or without the giving of notice or the lapse of time, or both, (i) conflict with or violate any provision of law, rule or regulation to which Borrower is subject, (ii) violate any order, judgment or decree applicable to Borrower or binding upon the assets or properties of Borrower or (iii) conflict with, or result in a breach or default under, any term of the articles of

organization or by-laws of Borrower or any agreements or other instruments to which Borrower is a party or by which it is bound, including, without limitation, any Assigned Agreement or the Stock Purchase Agreement.

(d) Other than as set forth on Schedule 4(d) hereto and the security interest created by this Agreement, Borrower is the sole owner of the Collateral, free and clear from any liens, security interests, encumbrances, rights or claims (collectively, "*Liens*") and is fully authorized to grant a security interest in and pledge the Collateral to Lender. Other than as set forth on Schedule 4(d) hereto, there is not on file in any governmental or regulatory authority, agency or recording office an effective financing statement, security agreement, license or transfer or any notice of any of the foregoing covering or affecting any of the Collateral.

(e) Other than as set forth on Schedule 4(e) hereto, there are no actions, litigations, investigations or proceedings which are pending or, to the knowledge of the Borrower, threatened against or affecting Borrower which would cause a material adverse change in Borrower's financial condition or which are reasonably likely to in any way affect any of the assets of Borrower.

(f) Other than as set forth on Schedule 4(f) hereto, Borrower has duly filed all federal, state and other governmental tax returns which it is required by law to file, and all taxes and other sums which may be due to the United States, any state or other governmental authority have been fully paid, and Borrower now has or shall hereafter maintain reserves adequate in amount to fully pay all such tax liabilities which may hereafter accrue.

(g) No authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or will be necessary for, or in connection with, the execution and delivery by the Borrower of this Agreement for the offer, issue, sale, execution or delivery of the Note or for the performance by the Borrower of its obligations under this Agreement.

(h) Other than as set forth on Schedule 4(h) hereto, there are no loans, leases, royalty or other agreements between (a) the Borrower or any of its material customers or suppliers, on the one hand, and (b) any officer, employee, consultant or director of the Borrower or any Person owning five percent (5%) or more of the outstanding capital stock of the Borrower or any member of the immediate family of such officer, employee, consultant, director or stockholder or any corporation or other entity controlled by such officer, employee, consultant, director or stockholder, or a member of the immediate family of such officer, employee, consultant, director or stockholder, on the other hand.

(i) The Borrower has complied and will comply with all applicable federal and state securities laws in connection with the offer, issuance and sale of the Notes hereunder. Neither the Borrower nor anyone acting on its behalf has or will sell, offer to sell or solicit offers to buy the Notes or similar securities to, or solicit offers with respect thereto from, or enter into any preliminary conversations or negotiations relating thereto with, any person, so as to bring the

issuance and sale of the Notes under the registration provisions of the Securities Act of 1933, as amended, and applicable state securities laws.

(j) Neither this Agreement nor any other agreement, document, certificate or written statement furnished or to be furnished to the Lender or its counsel by or on behalf of the Borrower in connection with the transactions contemplated hereby contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances in which made, not misleading. There is no fact which has not been disclosed herein or in writing to the Lender and which materially adversely affects the business, assets, liabilities, operations, results of operations, condition (financial or other), or prospects of the Borrower.

(k) No default or Event of Default has occurred and is continuing. The Borrower is not in default in the payment of principal or interest on any of its indebtedness and is not in default under any instrument or instruments or agreements under and subject to which any indebtedness has been issued and no event has occurred and is continuing under the provisions of any such instrument or agreement which with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder.

(l) The Borrower will apply the proceeds of the sale of the Note to working capital. No part of the proceeds from the sale of the Note hereunder will be used, directly, or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 207), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Borrower in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 0% of the value of the consolidated assets of the Borrower and the Borrower does not have any present intention that margin stock will constitute more than 0% of the value of such assets. As used in this Section, the terms "*margin stock*" and "*purpose of buying or carrying*" shall have the meanings assigned to them in said Regulation U.

(m) Borrower maintains, and will continue to maintain, its books of account and records relating to the Collateral solely at its principal place of business at 132 West 36th Street, 9th Floor, New York, New York 10018.

(n) No part of the Collateral has been judged invalid or unenforceable. Other than as set forth on Schedule 4(n) hereto, no written claim has been received that any of the Collateral or Borrower's use of any of the Collateral violates the rights of any third party. Other than as set forth on Schedule 4(n) hereto, there has been no adverse decision to Borrower's claim of ownership rights in or exclusive rights to use the Collateral in any jurisdiction or to Borrower's right to keep and maintain such Collateral in full force and effect, and there is no proceeding involving said rights pending or, to the best knowledge of Borrower, threatened before any court, judicial body, administrative or regulatory agency, arbitrator or other governmental authority.

(o) (i) As of the date hereof, Schedule 4(o) sets forth a complete and accurate list of all Intellectual Property owned by Borrower (including, without limitation, all contracts for material

computer programs, databases, data compilations, and computer documentation that are owned, licensed, leased or otherwise used by Borrower (such computer programs, databases, compilations and documentation, collectively, "*Proprietary Software*") and identifies which Proprietary Software is owned or licensed); (ii) Borrower owns or has the right to use all Intellectual Property necessary to, and all material Intellectual Property used in, its activities, free and clear of all Liens; (iii) any Intellectual Property owned by Borrower is in full force and effect and has not been canceled, expired or abandoned and is valid; (iv) other than as set forth in Schedule 4(n) hereto, Borrower has not received written notice from any third party regarding any actual or potential infringement by Borrower of any intellectual property of such third party, and Borrower's activities as currently conducted do not to the knowledge of Borrower infringe on the intellectual property of any third party; (v) Borrower has not received written notice from any third party regarding any assertion or claim challenging the validity of any Intellectual Property owned or used by borrower and Borrower has no knowledge of any basis for such a claim; (vi) Borrower has not licensed or sublicensed any rights in any Intellectual Property, or received or been granted any such rights, other than pursuant to license agreements listed on Schedule 4(o) (the "*License Agreements*"); (vii) to Borrower's knowledge, no third party is misappropriating, infringing, diluting or violating any Intellectual Property owned by Borrower; (viii) all of the License Agreements are valid and binding obligations of Borrower, enforceable in accordance with their terms, and, to Borrower's knowledge, there exists no event or condition which will result in a violation or breach of, or constitute a default by Borrower or the other party thereto, under any License Agreement; (ix) Borrower takes reasonable measures to protect the confidentiality of its confidential information, technology, know-how, inventions, processes, formulae, algorithms, models and methodologies (collectively, "*Trade Secrets*"), including requiring third parties having access thereto to execute written nondisclosure agreements and no Trade Secret of Borrower has been authorized to be disclosed to any third party or disclosed to any third party, other than pursuant to a written nondisclosure agreement that adequately protects Borrower's proprietary interests in and to such Trade Secrets; (x) the consummation of the transactions contemplated hereby will not result in the loss or impairment of Borrower to own or use any of the Intellectual Property, nor will such consummation require the consent of any third party in respect of any Intellectual Property; and (xi) all Proprietary Software owned by Borrower was either developed by employees of Borrower within the scope of their employment or by independent contractors who have assigned all of their rights to Borrower pursuant to written agreement.

(p) The security interest in the Collateral granted hereunder to Lender constitutes a valid security interest in the Collateral. Upon (i) the filing of the UCC Form 1 financing statements naming Borrower as "debtor" and Lender as "secured party" and describing the Collateral with the Department of State of New York, the New York City Register of New York County and the County of Suffolk in New York State, and (ii) the delivery to Lender of all instruments evidencing the Collateral, the security interests in the Collateral granted to Lender will constitute a perfected security interest therein superior and prior to all Liens.

(q) As of the date hereof, Schedule 4(q) sets forth a complete and accurate list of all the Securities Collateral owned by Borrower. To the best of Borrower's knowledge, (i) all of the Securities Collateral consisting of equity securities has been duly authorized and validly issued and is fully paid and non-assessable, except in the case of equity securities consisting of warrants

or other options to acquire equity securities, in which case such securities have been duly authorized and reserved for issuance, and when the shares into which such warrants or options are exercisable have been issued and paid for in accordance with their terms, such shares will be duly and validly issued and fully paid and non-assessable, and (ii) all of the Securities Collateral consisting of indebtedness has been duly authorized, authenticated or issued, and delivered and is the legal, valid and binding obligation of the issuers thereof.

(r) Borrower has exclusive possession and control of the Equipment. Borrower owns all of its Inventory. All of the Equipment and Inventory is located at the places specified on Schedule 4(r).

(s) As of the date hereof, Schedule 4(s) sets forth a complete and accurate list of all material written agreements, contracts, instruments, policies, plans, mortgages, understandings, arrangements or commitments (collectively, the "*Assigned Agreements*") to which Borrower is a party or by which Borrower is bound. Except as set forth on Schedule 4(n), (i) each of the Assigned Agreements is legal, valid and binding on Borrower and, to the knowledge Borrower, on the other parties thereto and is enforceable in accordance with the terms thereof, (ii) each Assigned Agreement is in full force and effect, (iii) Borrower is not in default under any Assigned Agreement, (iv) Borrower has not waived any of its rights under any Assigned Agreement and (v) to the knowledge of Borrower, no other party to any Assigned Agreement has breached or is in default thereunder.

(t) Borrower has provided Lender with complete and accurate information regarding all of Borrower's assets, and Borrower has no assets that are not included in the Collateral.

(u) In the operation of its business, the Borrower maintains the following six (6) deposit accounts:

(i) Brentwood Payroll Account established with Bank of New York, Account Number 690-2602-095 (the "*Brentwood Payroll Account*");

(ii) Operating Account established with Bank of America, Account Number 0006-5052-4444;

(iii) Subscription Account established with Bank of America, Account Number 0006-8608-7793;

(iv) New York Payroll Account established with Bank of America, Account Number 0006-5052-4415;

(v) Account Number 0056-371-422 established with Fleet Bank; and

(vi) Account Number 323-159-613 established with Chase Manhattan Bank.

*Section 5. Covenants of Borrower.* Borrower shall:

(a) Promptly pay the principal and interest on the Note when due and punctually perform and observe all of the covenants, agreements and provisions contained herein, in the Note and in any other instrument given as security for the Note;

(b) Not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement or any applicable statute, regulation or ordinance or any policy of insurance covering the Collateral;

(c) With respect to that part of the Collateral that is tangible, maintain such Collateral in good order and repair and not use any part of such Collateral in any manner injurious or likely to be injurious or that will result in its unreasonable deterioration or consumption or which will be in violation of any laws or regulations or any policy of insurance. With respect to Collateral that is not tangible, Borrower will take all steps reasonably necessary to preserve and protect the value of such Collateral, and Borrower will diligently pursue and seek to preserve, enforce and collect any rights, claims, causes of action and accounts receivable;

(d) Notify Lender of any change in Borrower's name, identity or corporate structure within 5 days of such change;

(e) Give Lender prior notice of any change in Borrower's principal place of business, chief executive office or residence or the office where Borrower keeps its records;

(f) Notify Lender immediately upon becoming aware of any attachment, garnishment, execution or other legal process levied against any or all of the Collateral and of any other information received by Borrower that may materially affect the value of the Collateral, the security interest granted herein or the rights and remedies of Lender hereunder;

(g) Not take any action to cause Borrower to (i) dispose of any of the Collateral whether by sale, assignment, pledge or otherwise (other than the sale of Inventory in the ordinary course of business) or (ii) grant any security interest in any Collateral, except in the ordinary course of business, to anyone other than Lender. Borrower shall defend the Collateral against the claims and demands of all parties other than Lender, and promptly perform all other steps requested by Lender to create and maintain in favor of Lender a valid perfected first priority security interest in all the Collateral;

(h) Except with the prior written consent of Lender:

(i) Grant or permit a Lien upon any of the Collateral or any assets of Borrower, whether now owned or hereafter acquired, to any person, association, firm, partnership, limited liability company, corporation, entity or governmental agency or instrumentality (each, a "*Person*"), except the following:

(A) Liens for taxes, assessments or other governmental charges or levies not the time delinquent or thereafter payable without penalty or being

diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with generally accepted accounting principles, consistently applied ("GAAP") shall have been set aside on its books;

(B) Liens of carriers, warehousemen, mechanics, materialmen and landlords incurred in the ordinary course of business for sums not overdue or being diligently contested in good-faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.;

(C) Leases or subleases granted by the Borrower to unrelated third parties, zoning restrictions, easements, licenses, reservations, rights-of-way, restrictions on the use of property or irregularities of title and other similar changes, encumbrances and Liens which do not materially impair the use thereof by the Borrower; and

(D) Liens (other than any Lien imposed by ERISA and other than on the Collateral) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation.

(ii) Sell, lease or otherwise dispose of or transfer any of the Collateral, other than the sale of Inventory in the ordinary course of business;

(iii) Guarantee or otherwise become liable in any way with respect to the obligations of any Person except by endorsement of instruments or items of payment for deposit to the general account of Borrower or which are transmitted or turned over to Lender on account of Borrower's obligations under this Agreement and the Note:

(iv) Make any material change in the nature of its activities or business; or

(v) (A) Except as set forth in Schedule 5(h)(v) hereto, incur any additional indebtedness other than in the ordinary course of business to any Person after the date hereof, including, without limitation, indebtedness that is secured by a security interest in the Collateral or any property of Borrower senior in priority to the security interest of Lender therein; and

(B) The Borrower has previously delivered to the Lender true, correct and complete copies of the promissory notes described in Schedule 5(h)(v) hereto and all documents and agreements, if any, related to each of such promissory notes;

(i) Furnish the following to the Lender:

(i) *Quarterly Reports.* As soon as available and in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year, consolidated statements of income, cash flow and retained earnings of the Borrower and its

subsidiaries for such fiscal quarter, and a consolidated balance sheet of the Borrower and its subsidiaries as of the end of such fiscal quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period of the prior fiscal year;

(ii) *Annual Reports.* As soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its subsidiaries as of the end of such fiscal year and consolidated statements of income, cash flow and returned earnings of the Borrower and its subsidiaries for such fiscal year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, all such consolidated statements to be duly certified by the chief financial officer of the Borrower; and, within 90 days after the end of each fiscal year (or such earlier date as such audit is complete and available for distribution to stockholders of the Borrower) audited financial statements as described in this paragraph (ii) for such fiscal year, accompanied by an unqualified audit report of independent public accountants selected by the Board of Directors; and

(iii) *Budgets and Operating Plan.* As soon as available, a business plan and annual budget which includes monthly and quarterly operating budgets for each fiscal year; as promptly as practicable, any changes to such budget or business plan; and copies of such business plan;

(j) Cause its subsidiaries to maintain a system of accounts in accordance with generally accepted accounting principles and keep full and complete financial records;

(k) Cause its subsidiaries to engage in (a) the development of programming material for distribution through online service providers and the Internet and the sale of products through its web site and (b) the business of selling, distributing and marketing health, beauty wellness and other products and services including, but not limited to, perfumes and cosmetics principally through the Internet and/or as the Board of Directors may from time to time determine are in the best interests of the Borrower. The Borrower shall, and shall cause its subsidiaries, to keep in full force and effect their respective corporate existence and all patents and other Intellectual Property Rights useful in their respective business and comply with all applicable laws and regulations in the conduct of their respective businesses;

(l) Cause its subsidiaries to pay and discharge all lawful taxes, assessments and governmental charges or levies imposed upon it or upon its income or property before the same shall become in default, as well as all lawful claims for labor, materials and supplies which, if not paid when due, might become a lien or charge upon its property or any part thereof; *provided, however,* that the Borrower shall not be required or require its subsidiaries to pay and discharge any such tax, assessment, charge, levy, or claim so long as the validity thereof is being contested by the Borrower or its subsidiary in good faith by appropriate proceedings and an adequate reserve therefor has been established on its books. The Borrower shall, and shall cause its subsidiaries to, comply with all applicable laws and regulations in the conduct of its business;



(m) Promptly advise the Lender of any event which represents a material adverse change in the condition or business, financial or otherwise, of the Borrower or its subsidiaries. The Borrower shall also promptly notify the Purchasers of any facts which, if such facts had existed at the Closing, would have constituted a breach of the representations and warranties contained herein;

(n) Cause its subsidiaries to keep their insurable properties insured by financially sound and reputable insurers against the perils of liability, casualty, fire and extended coverage in amounts of coverage at least equal to those customarily maintained by companies in the same or a similar business of similar size. The Borrower and its subsidiaries shall also maintain with such insurers insurance against other hazards and risks and liability to persons and property to the extent and in the manner customary for companies engaged in the same or a similar business of similar size;

(o) Cause its subsidiaries to maintain all properties used or useful in the conduct of its business in good repair, working order and condition as necessary to permit such business to be properly and advantageously conducted;

(p) Conduct all transactions by and between the Borrower and/or any of its subsidiaries on the one hand, and any officer, employee or stockholder of the Borrower or any of its subsidiaries or persons controlled by or affiliated with such officer, employee or stockholder, on the other hand, on an arm's-length basis, on terms and conditions no less favorable to the Borrower or the subsidiary, as applicable, than could be obtained from non-related persons and shall be approved in advance by the Board of Directors of the Borrower, after full disclosure of the terms thereof; *provided, however*, that the approval of the Board of Directors of the Borrower shall not be required for any transaction or series of transactions involving in the aggregate an expenditure or transfer of not more than \$2,500 in money or money's worth;

(q) Permit the Lender and its authorized representatives to visit and inspect any of the properties of the Borrower, including its books of account (and to make copies thereof and take extracts therefrom), and to discuss its affairs, finances and accounts with its officers, employees, independent accountants, consultants and attorneys, all at such reasonable times and as often as may be reasonably requested;

(r) Maintain in full force and effect its corporate existence, rights and franchises and all licenses and other rights in or to use patents, processes, licenses, trademarks, trade names or copyrights owned or possessed by it or any subsidiary and deemed by the Borrower to necessary to the conduct of its or such subsidiary's business without, to the Borrower's best knowledge, any conflict with any rights of others to use such patents, processes, licenses, trademarks, trade names or copyrights;

(s) Not permit any subsidiary to make any Distribution. For the purposes of this provision, "*Distribution*" means:

(i) Dividends or other distributions or payments on capital stock of the Borrower (except distributions in such stock);

(ii) The redemption or acquisition of such stock or of warrants, rights or other options to purchase such stock (except when solely in exchange for such stock) unless made, contemporaneously, from the net proceeds of a sale of such stock; and

(iii) Any payment to the stockholders of the Borrower or any of their affiliates whether in respect of services rendered to the Borrower or otherwise, except for salaries payable to bona fide employees of the Borrower and except for fees payable to the bona fide service providers set forth in Schedule 5(s)(c) hereto who are also shareholders of the Borrower;

(t) Not close any of the deposit accounts described in Section 4(u) above without the prior written consent of the Lender, and not open any new deposit accounts with any banks or other financial institutions without the prior written consent of the Lender;

(u) Promptly, after it is located by the Borrower, deliver to the Lender the originally executed \$150,000 principal amount Convertible Promissory Note of Gazelle Beauty Center & Day Spa, Inc., endorsed in blank;

(v) Not relocate the Inventory without the prior written consent of the Lender, which consent will be conditioned upon receipt by the Lender of: (i) a copy of the warehouse agreement between the Borrower and the proposed warehouseman, which agreement shall be in form and substance reasonably satisfactory to the Lender; (ii) a waiver from the proposed warehouseman of any statutory, contractual, equitable or other lien, or right of setoff, against the Borrower's inventory, which waiver shall be in form and substance satisfactory to the Lender; and (iii) evidence that proper Uniform Commercial Code Financing Statements have been filed in the required state, county and local offices applicable to the new location of the Inventory;

(w) With respect to any Bank Letter Agreements which are terminated for any reason, immediately transfer such funds from the deposit account which had been subject to the terminated Bank Letter Agreement to another deposit account described in Section 4(u) of this Agreement which is subject to a Bank Letter Agreement or to a new deposit account at a bank acceptable to the Lender, provided that such new deposit account is subject to a Bank Letter Agreement in form and substance acceptable to the Lender;

(x) To the extent the Borrower has failed to deliver a Bank Letter Agreement for any of the deposit accounts described in Section 4(u) as of the Closing Date, deliver to the Lender within 30 days of the Closing Date either (i) a Bank Letter Agreement for each of such deposit accounts or (ii) evidence satisfactory to the Lender that each of such deposit accounts has been closed and such funds have been transferred into a new or existing deposit account for which the Lender has received an acceptable Bank Letter Agreement executed by such depository bank (provided that the Borrower will not be required to deliver a Bank Letter Agreement for the Brentwood Payroll Account (as defined in Section 4(a)(i) of this Agreement)); and

(y) Be permitted to enter into any of the following types of transactions; provided, such transactions do not adversely affect the Collateral (or any portion of the Collateral) including, without limitation, any Collateral in the form of cash:

- (i) Merge or consolidate with any other Person;
- (ii) Acquire any other Person;
- (iii) Enter into any transaction not in the ordinary course of its business; or
- (iv) Make any investment in the securities of any Person other than the securities of the United States of America.

*Section 6. Further Assurances.* (a) Borrower agrees that from time to time, at its expense, to promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Lender may request, in order to perfect and protect the security interest granted hereby or to enable Lender to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

(b) Borrower hereby authorizes Lender to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of Borrower. Borrower agrees that a carbon, photographic or other reproduction of a financing statement signed by Borrower shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions.

*Section 7. Equipment and Inventory.* Borrower shall:

(a) Keep the Equipment and Inventory (other than Inventory sold in the ordinary course of its activities) at the places therefor specified on Schedule 4(r) or, upon 30 days' prior written notice to Lender, at such other places in jurisdictions where all action that may be necessary or desirable, or that Lender may request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Lender to exercise and enforce its rights and remedies hereunder, with respect to such Equipment and Inventory shall have been taken; and

(b) Cause the Equipment and Inventory to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with Borrower's past practices exercised with reasonable business judgment.

*Section 8. Records; Accounts.* (a) Borrower shall keep its principal place of business and chief executive office and the office where it keeps its records concerning the Collateral and all originals of all chattel paper that evidence Collateral at the location therefor specified in Schedule 8(a) or, provided that written notice is delivered to Lender no later than five days following any change in location, at such other locations in a jurisdiction where all action that may be necessary or desirable, or that Lender may request, in order to perfect and protect any security interest granted or purported to be granted hereby, or to enable Lender to exercise and enforce its rights and remedies hereunder, with respect to such Collateral shall have been taken. Borrower shall hold and preserve such records and chattel paper and will permit representatives of Lender, upon reasonable notice and at such reasonable times, during normal business hours as Lender may request, to inspect and make abstracts from such records and chattel paper.

(b) Borrower shall maintain complete records of all accounts, including records of all payments received and credits granted, in accordance with generally accepted bookkeeping practices.

*Section 9. Assigned Agreements.* (a) Borrower shall, at its expense:

(i) Perform and observe all terms and provisions of the Assigned Agreements to be performed or observed by it, maintain the Assigned Agreements in full force and effect, enforce the Assigned Agreements in accordance with their terms, and take all such action to such end as may be from time to time reasonably requested by Lender; provided, however, that Borrower shall not be required to perform its obligations with any Assigned Agreements after the breach or default of the other party thereto or if in the reasonable determination of the Board of Directors or the Executive Committee of the Board of Directors is not in the best interests of the Borrower to perform such Assigned Agreement, *provided* that the failure to perform such Assigned Agreements will not have a material adverse affect on the Borrower's business; and

(ii) Upon the request of Lender, furnish to Lender, promptly upon receipt thereof, copies of all notices, requests and other documents received by Borrower under or pursuant to the Assigned Agreements, and from time to time (A) furnish to Lender such information and reports regarding the Assigned Agreements as Lender may request and (B) upon the request of Lender make to the parties to such Assigned Agreements such demands and requests for information and reports for action as Borrower is entitled to make under such Assigned Agreements.

(b) Upon the occurrence and during the continuation of an Event of Default, Borrower shall not (except as otherwise explicitly directed by Lender):

(i) Cancel or terminate any of the Assigned Agreements or consent to or accept any cancellation or termination thereof;

(ii) Amend or otherwise modify the Assigned Agreements or give any consent, waiver or approval thereunder;

(iii) Waive any default under or breach of the Assigned Agreements;

(iv) Consent to or permit or accept any prepayment of amounts to become due under or in connection with the Assigned Agreements, except as expressly provided therein; or

(v) Take any other action in connection with the Assigned Agreements that would materially impair the value of the interest or rights of the Borrower thereunder or that would materially impair the interest or rights of Lender.

*Section 10. Intellectual Property.* Borrower hereby assigns, transfers and conveys to Lender, all right, title, and interest in all of its Intellectual Property and other collateral granted

by Borrower as security for its obligations under the Note and this Loan and Security Agreement, together with applications, registrations, and the goodwill associated with trademarks therein, by execution of a document recordable in the US Patent and Trademark Office and in the form set forth in Schedule 10A attached hereto. Lender herewith grants to Borrower an exclusive, non-transferable, royalty-free License to use the Intellectual Property during the term of this Loan and Security Agreement, which License shall immediately be forfeited to Lender upon occurrence of any Event of Default. Lender shall execute a suitable re-assignment document upon satisfaction of all the terms of this Loan and Security Agreement, including payment in full of the Note herewith. The Lender's rights and obligations herein may be assigned by Lender with notice to Borrower.

*Section 11. Defaults.* The occurrence of any of the following events or conditions shall be "Events of Default" under this Agreement:

(a) Any principal or interest on the Note shall not be paid when due, whether at maturity, by acceleration or otherwise;

(b) Borrower shall fail to pay or discharge when due any other monetary obligation under the Note or this Agreement;

(c) Borrower shall fail to observe or perform any covenant or agreement contained in the Note or this Agreement (other than those covered in (a) and (b) above) within 10 days after written notice thereof has been given to Borrower by Lender;

(d) Any representation, warranty, certification or statement made by Borrower in this Agreement or made in any written statement or certificate furnished by Borrower pursuant hereto shall prove to have been false or misleading in any material respect when made;

(e) The appointment of a receiver, trustee, custodian or similar fiduciary, assignment for the benefit of creditors or the commencement of any proceedings under any bankruptcy and insolvency laws by or against the Borrower, which is not discharged in full or stayed within 30 days after filing;

(f) A default, or the occurrence of any event which with the passage of time or giving of notice, or both, would constitute a default, under any indenture, agreement or other instrument under which any indebtedness having a principal amount in aggregate in excess of \$500,000 of the Borrower or any subsidiary may be issued and such default or event shall continue beyond the period of grace, if any, originally allowed with respect thereto;

(g) Final judgment or judgments for the payment of money aggregating in excess of \$100,000 is or are outstanding against the Borrower or any subsidiary or against any property or assets of either and such judgment or judgments has remained unpaid, unvacated, unbonded or unstayed by appeal or uninsured by a solvent insurer which has acknowledged liability for such judgment until the first to occur of (i) 60 days from the date of its entry or (ii) the date on which any action is properly taken in furtherance of the execution or liquidation of such judgment;

(h) A custodian, liquidator, trustee or receiver is appointed for the Borrower or any subsidiary or for the major part of the property of either and is not discharged within 30 days after such appointment;

(i) The Borrower or any subsidiary becomes bankrupt or makes an assignment for the benefit of creditors, or the Borrower or any subsidiary applies for or consents to the appointment of a custodian, liquidator, trustee or receiver for the Borrower or such subsidiary or for the major part of the property of either; or

(j) Bankruptcy, reorganization, arrangement or insolvency proceedings, or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors, are instituted by or against the Borrower or any subsidiary and, if instituted against the Borrower or any subsidiary, are consented to or are not dismissed within 60 days after such institution.

*Section 12. Rights and Remedies Upon Default.* Upon the occurrence and continuation of any Event of Default, Lender shall have the right to exercise all of the remedies conferred hereunder and under the Note and any other document executed in connection herewith, and Lender shall have all the rights and remedies of a secured party under the NY UCC (including the Uniform Commercial Code of any jurisdiction in which any Collateral is then located), and Lender may proceed to protect and enforce its rights by an action at law, suit in equity, or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise. Without limitation, Lender shall have the following rights and powers:

(a) (i) If an Event of Default described in (h), (i) or (j) above has occurred, the entire unpaid principal amount and all accrued and unpaid interest under the Note shall automatically become immediately due and payable and (ii) if any other Event of Default has occurred the Lender shall have the right to declare the entire unpaid principal and all accrued and unpaid interest under the Note immediately due and payable and upon such declaration, such principal and interest shall become immediately due and payable without presentment, demand, protest or further notice, all of which are hereby waived.

(b) Lender shall have the right to take possession of the Collateral and, for that purpose, enter, with the aid and assistance of any person, any premises where the Collateral, or any part thereof, is or may be placed and remove the same, and Borrower shall assemble the Collateral and make it available to Lender at places which Lender shall reasonably select, whether at Borrower's premises or elsewhere, and make available to Lender, without rent, all of Borrower's respective premises and facilities for the purpose of Lender's taking possession of, removing or putting the Collateral in saleable or disposable form.

(c) Lender shall have the right to operate the business of the Borrower using the Collateral and shall have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the Collateral, at public or private sale or otherwise, either with or without special conditions or stipulations, for cash or on credit or for future delivery, in such parcel or parcels and at such time or times and at such place or places, and upon such terms and conditions as the

Agent may deem commercially reasonable after 10 days written notice to Borrower but without the right of redemption of Borrower, which is hereby expressly waived by the Borrower. Upon each such sale, lease, assignment or other transfer of Collateral, Lender may, unless prohibited by applicable law which cannot be waived, purchase all or any part of the Collateral being sold, free from and discharged of all trusts, claims, right of redemption and equities of Borrower, which are hereby waived and released.

(d) In connection with any Event of Default, Borrower hereby agrees to pay on demand all losses, costs and expenses, if any (including reasonable counsel fees and expenses) in connection with the enforcement of this Agreement or the Note and any other instrument or document delivered in connection herewith.

(e) Lender shall not exercise control over any of the deposit accounts assigned hereunder unless and until the occurrence and continuance of an Event of Default.

*Section 13. Lender Appointed Attorney-in-Fact.* Borrower hereby irrevocably appoints Lender as Borrower's attorney-in-fact, with full authority in the place and stead of Borrower and in the name of Borrower, from time to time upon the occurrence and continuation of an Event of Default, in Lender's discretion to take any action and to execute any instrument that Lender may deem necessary or advisable to accomplish the purpose of this Agreement, including:

(a) To ask for, demand, collect, sue for, recover, compound, receive and give acquaintance and receipts for moneys due and to become due under or in respect of the Collateral;

(b) To receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) above;

(c) To file any claims or take any action or institute any proceedings that Lender may reasonably deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Lender with respect to any of the Collateral;

(d) To pay or discharge taxes or Liens levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by Lender in its sole discretion, any such payments made by Lender to become obligations of the Borrower to Lender, due and payable immediately without demand;

(e) To sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with any accounts, contract rights or general intangibles and other documents relating to the Collateral; and

(f) Generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Lender were the absolute owner thereof for all purposes, and to do, at Lender's option and Borrower's expense, at any time or from time to time, all acts and things that Lender deems necessary to protect, preserve or realize

upon the Collateral and Lender's security interest therein in order to effect the intent of this Agreement, all as fully and effectively as Borrower might do.

*Section 14. Lender May Perform.* If Borrower fails to perform any agreement contained herein, Lender may itself perform, or cause performance of, such agreement, and the reasonable expenses of Lender, including reasonable attorney's fees and expenses, incurred in connection therewith shall be payable by Borrower.

*Section 15. Applications of Proceeds Received From Disposition of the Collateral.* All proceeds received by Lender in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied in the following order of priority:

(a) First, to the payment of all costs and expenses of such sale, collection or realization, including reasonable compensation to Lender and its agents and counsel, and all other expenses, liabilities and advances made or incurred by Lender in connection therewith, and all amounts for which Lender is entitled to indemnification under the Note and to the payment of all costs and expenses paid or incurred by Lender in connection with the exercise of any right or remedy under the Transaction Documents, all in accordance with the Transaction Documents;

(b) Next, to satisfaction of Borrower's obligations under the Transaction Documents; and

(c) Thereafter, to the extent of any excess proceeds, to the payment to or upon the order of Borrower or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

If, upon the sale, license or other disposition of the Collateral, the proceeds thereof are insufficient to pay all amounts to which Lender is legally entitled, Borrower will be liable for the deficiency, together with interest thereon, at the rate of 12% per annum or such lesser amount permitted by applicable law, and the reasonable fees of any attorneys employed by Lender to collect such deficiency. To the extent permitted by applicable law, Borrower waives all claims, damages and demands against Lender arising out of the repossession, removal, retention or sale of the Collateral.

*Section 16. Continuing Security Interest; Termination.* (a) This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the payment in full of Borrower's obligations under the Note, (ii) be binding upon Borrower, its successors and assigns, and (iii) inure, together with the rights and remedies of Lender hereunder, to the benefit of Lender and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), but subject to the provisions of the Note, Lender may assign or otherwise transfer the Note to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Lender herein or otherwise.

(b) Upon the payment in full of Borrower's obligations under the Note, this Agreement and the security interest granted hereby shall terminate and all rights to the Collateral shall revert to Borrower. Upon any such termination, Lender, at the request of Borrower, will join in



executing any termination statement with respect to any financing statement executed and filed pursuant to this Agreement.

*Section 17. Notices.* Any notice required or permitted by this Agreement or the Note shall be deemed to have been duly given if in writing and (i) sent by facsimile, upon receipt of proof of sending thereof, (ii) delivered by hand, upon receipt, (iii) sent by nationally recognized overnight delivery service (receipt requested), the next business day, or (iv) deposited (registered or certified mail, return receipt requested) in the U.S. mail, postage prepaid, on the third business day following, addressed to Borrower or Lender at the address set forth below for such party.

If to Borrower: iBeauty.com Inc.  
132 West 36th Street, 9th Floor  
New York, New York 10018  
Attention: Chief Financial Officer  
Facsimile: (212) 367-8822

With a copy to: Phillips Nizer Benjamin Krim & Ballon LLP  
666 Fifth Avenue  
New York, New York 10103  
Attention: Alan Shapiro, Esq.

If to Lender: Continental Casualty Company  
c/o CNA  
333 South Wabash Avenue  
CNA Plaza - 23 South  
Chicago, Illinois 60685  
Attention: Karla L. Kambic, Esq.  
Facsimile: 312-822-4392

With a copy to: Continental Casualty Company  
c/o Loews Corporation  
667 Madison Avenue, 7th Floor - High Yield  
New York, New York 10021-8087  
Attention: Jeffrey Eisenberger  
Facsimile: 212-521-2858

*Section 18. Entire Agreement; Severability.* (a) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and is intended to supersede all prior negotiations, understandings and agreements with respect thereto. No provision of this Agreement may be modified or amended except by a written agreement specifically referring to this Agreement and signed by the parties hereto.

(b) In the event that any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction for any reason, unless such provision is narrowed by judicial construction, this Agreement shall, as to such jurisdiction, be construed as if such invalid, prohibited or unenforceable provision had been more narrowly drawn so as not to be invalid,

prohibited or unenforceable. If, notwithstanding the foregoing, any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction, such provision, as to such jurisdiction, shall be ineffective to the extent of such invalidity, prohibition or unenforceability without invalidating the remaining portion of such provision or the other provisions of this Agreement and without affecting the validity or enforceability of such provision or the other provisions of this Agreement in any other jurisdiction.

*Section 19. Amendments.* No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by Lender and, in the case of any such amendment or modification, by Borrower. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

*Section 20. Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

*Section 21. Security Agreement.* This Agreement shall constitute a security agreement as defined in the NY UCC, and Borrower hereby grants to Lender a security interest within the meaning of the NY UCC in favor of Lender in the Collateral, the proceeds thereof and other rights described herein.

*Section 22. Governing Law.* This Agreement shall be governed in all respects by the laws of the State of New York, as applied to agreements among New York residents entered into and to be performed entirely within New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

*Section 23. Waiver of Jury Trial.* EACH PARTY HERETO KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH ANY OF THE TRANSACTION DOCUMENTS, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENT (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY THERETO.

*Section 24. Registered Notes.* The Borrower shall cause to be kept at its principal office a register for the registration and transfer of the Notes (hereinafter called the "Note Register")

and the Borrower will register or transfer or cause to be registered or transferred as hereinafter provided any Note issued pursuant to this Agreement.

At any time and from time to time the registered holder of any Note which has been duly registered as hereinabove provided may transfer such Note upon surrender thereof at the principal office of the Borrower duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or its attorney duly authorized in writing.

The person in whose name any registered Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes of this Agreement. Payment of or on account of the principal, premium, if any, and interest on any registered Note shall be made to or upon the written order of such registered holder.

*Section 25. Exchange of Notes.* At any time and from time to time, upon surrender of a Note at its office, the Borrower will deliver in exchange therefor, without expense to the holder thereof, except as set forth below, a Note for the same aggregate principal amount as the then unpaid principal amount of the Note so surrendered, or Notes in the denomination of \$100,000 or any amount in excess thereof as such holder shall specify, dated as of the date to which interest has been paid on the Note so surrendered or, if such surrender is prior to the payment of any interest thereon, then dated as of the date of issue, registered in the name of such person or persons as may be designated by such holder, and otherwise of the same form and tenor as the Notes so surrendered for exchange. The Borrower may require the payment of a sum sufficient to cover any stamp tax or governmental charge imposed upon such exchange or transfer.

*Section 26. Loss, Theft, Etc. of Notes.* Upon receipt of evidence satisfactory to the Borrower of the loss, theft, mutilation or destruction of any Note, and in the case of any such loss, theft or destruction upon delivery of a bond of indemnity in such form and amount as shall be reasonably satisfactory to the Borrower, or in the event of such mutilation upon surrender and cancellation of the Note, the Borrower will make and deliver without expense to the holder thereof, a new Note, of like tenor, in lieu of such lost, stolen, destroyed or mutilated Note. If the Lender or any subsequent holder is the owner of any such lost, stolen or destroyed Note, then the affidavit of an authorized officer of such owner, setting forth the fact of loss, theft or destruction and of its ownership of such Note at the time of such loss, theft or destruction shall be accepted as satisfactory evidence thereof and no further indemnity shall be required as a condition to the execution and delivery of a new Note other than the written agreement of such owner to indemnify the Borrower.

*Section 27. Stamp Tax Indemnity.* The Borrower agrees that it will pay and save you harmless against any and all liability with respect to stamp and other taxes, if any, which may be payable or which may be determined to be payable in connection with the execution and delivery of this Agreement or the Note, whether or not any Notes are then outstanding. The Borrower agrees to protect and indemnify you against any liability for any and all brokerage fees and commissions payable or claimed to be payable to any person in connection with the transactions contemplated by this Agreement and the Note.

*Section 28 Powers and Rights Not Waived; Remedies Cumulative.* No delay or failure on the part of the holder of any Note in the exercise of any power or right shall operate as a waiver thereof; nor shall any single or partial exercise of the same preclude any other or further exercise thereof, or the exercise of any other power or right, and the rights and remedies of the holder of any Note are cumulative to, and are not exclusive of, any rights or remedies any such holder would otherwise have.

*Section 29. Exempted Transaction.* Borrower agrees that (i) the Note constitutes an extension of credit to a business entity for an amount greater than two hundred fifty thousand dollars (\$250,000.00) for purposes of New York General Obligations Law § 5-501(6)(a), (ii) the payment obligations evidenced by this Agreement, the Note and the other instruments securing the Note are exempted transactions under the Truth in Lending Act, 15 U.S.C. § 1601, et seq., (iii) the proceeds of the indebtedness evidenced by the Note will not be used for the purchase of registered equity securities within the purview of Regulation "U" issued by the Board of Governors of the Federal Reserve System and (iv) on the Maturity Date, Lender shall not have any obligation to refinance the indebtedness evidenced by this Note or to extend further credit to Borrower.

*Section 30. Waiver of Jury Trial.* BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE BORROWER AND THE LENDER DESIRE THAT DISPUTES ARISING HEREUNDER OR RELATING HERETO BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OR ARBITRATION, THE BORROWER AND THE LENDER WAIVE ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED IN CONNECTION WITH THIS LOAN AND SECURITY AGREEMENT AND THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER TO ENTER INTO THIS LOAN TRANSACTION EVIDENCED BY THE NOTE.

*Section 31. Equity Financings Permitted.* Notwithstanding anything to the contrary contained in this Agreement, the Borrower may at any time consummate equity financings with bona fide third party investors without the Lender's consent.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

YBEAUTY.COM INC., a New York corporation

By: 

Name: Samuel D. Waksal

Title: Chairman of the Board

CONTINENTAL CASUALTY COMPANY, an  
Illinois insurance company

By: \_\_\_\_\_

Name:

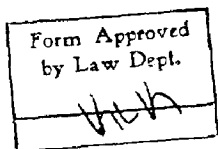
Title: Vice President

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

IBEAUTY.COM INC., a New York corporation

By: \_\_\_\_\_  
Name: Samuel D. Waksal  
Title: Chairman of the Board

CONTINENTAL CASUALTY COMPANY, an  
Illinois insurance company



By: \_\_\_\_\_  
Name: Richard W. Dubberke  
Title: Vice President

EXHIBIT A

SECURED PROMISSORY NOTE

No. R-1  
\$1,000,000.00

February 23, 2001  
PPN 45073@

FOR VALUE RECEIVED, IBEAUTY.COM INC., a New York corporation ("*Maker*"), having an address at 132 West 36th Street, 9th Floor, New York, New York 10018, hereby promises to pay to the order of CONTINENTAL CASUALTY COMPANY, an Illinois insurance company ("*Payee*"), at 333 South Wabash Avenue, 23 South, Chicago, Illinois 60685, Attention: Investments, or at such other place as Payee shall provide in writing to Maker for such purpose, in lawful money of the United States of America, the principal sum of ONE MILLION DOLLARS (U.S. \$1,000,000) (the "*Principal Amount*"), and any accrued and unpaid interest thereon to the date of payment. This Note is the promissory note referred to in that certain Loan and Security Agreement, dated as of the date hereof (the "*Loan and Security Agreement*"), between Maker and Payee.

1. *Maturity.* The entire Principal Amount hereunder and all accrued and unpaid interest thereon shall be due and payable in full on February 23, 2003 (the "*Maturity Date*").

2. *Interest Rate.* (a) Interest shall accrue on the unpaid Principal Amount from the date hereof until such Principal Amount is paid in full, at a rate of seven percent (7%) per annum (the "*Interest Rate*"), compounded semi-annually, payable in arrears on the Maturity Date. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months for the actual number of days elapsed.

(b) If any amount due hereunder or under the Loan Documents is not paid when due, such amount until paid shall bear interest (in lieu of the Interest Rate) at a per annum rate equal to twelve percent (12%) or, if less, the maximum rate permitted by applicable law (the "*Default Rate*").

3. *Security.* The obligations under this Note are secured by an interest in Maker's assets as set forth in the Loan and Security Agreement, as set forth in any and all other collateral security agreements given by Maker to Payee and by that certain Guaranty Agreement between Dr. Samuel D. Waksal and the Payee (collectively, the "*Loan Documents*"). The Payee shall have all of the remedies set forth in the Loan and Security Agreement, the Guaranty Agreement and the other Loan Documents in the event the Maker fails to pay interest on, and/or the principal of, this Note when due.

4. *Prepayment.* This Note may be prepaid in whole or in part (but, if in part, then in a minimum principal amount of \$100,000) at any time without penalty or premium. Any such prepayment shall be applied first to any accrued and unpaid interest and thereafter to any unpaid principal.

5. *Mandatory Prepayment.* The entire Principal Amount hereunder and all accrued and unpaid interest thereon shall automatically be due and payable within 30 days following the

Maker's sale of its shares of common stock in a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act of 1933, as amended, with gross proceeds (after deduction of underwriter's fees or commissions) to the Maker of not less than \$20,000,000.

6. *Affirmative Waivers.* Maker hereby waives presentment, demand, protest, notice of protest and/or dishonor, and all other demands or notices of any sort whatsoever with respect to this Note.

7. *Amendments, Etc.* No amendment or waiver of any provision of this Note, nor consent to any departure by Maker herefrom, shall in any event be effective unless the same shall be in writing and signed by Payee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however,* that the obligations of Maker hereunder shall terminate upon the irrevocable payment in full of any and all monies due and owing by Maker to Payee.

8. *Usury.* If it shall be found that any interest outstanding hereunder shall violate applicable laws governing usury, the applicable rate of interest outstanding hereunder shall be reduced to the maximum permitted rate of interest under such law.

9. *Partial Invalidity.* If any provision hereof is, for any reason and to any extent, determined by a court of competent jurisdiction to be invalid or unenforceable with respect to any person, entity or circumstance, then neither the remainder of this Note, nor the application of the provision to other persons, entities, or circumstances, shall be affected thereby, but instead shall be enforceable to the maximum extent permitted by law.

10. *Binding Effect.* This Note shall be binding upon Maker and its successors and shall inure to the benefit of Payee and its successors and assigns. The term "Payee" as used herein, shall also include any endorsee, assignee or other payee of this Note.

11. *Governing Law.* This Note and the rights and obligations of Maker and Payee hereunder shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the conflicts of law principles thereof. Maker hereby agrees that any proceeding arising out of or in connection with this Note may, if Payee so elects, be brought and enforced in any state court or, or any United States District Court situate in, the State of New York, and Maker hereby irrevocably submits to the non-exclusive jurisdiction of such courts and waives any objection to jurisdiction or venue in any such proceeding commenced in such court. Maker hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to Maker at its address set forth on page 1 hereof and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

12. *Exempted Transaction.* Maker agrees that (i) this Note constitutes an extension of credit to a business entity for an amount greater than two hundred fifty thousand dollars (\$250,000.00) for purposes of New York General Obligations Law § 5-501(6)(a), (ii) the



payment obligations evidenced by this Note and the other instruments securing this Note are exempted transactions under the Truth in Lending Act, 15 U.S.C. § 1601, et seq., (iii) the proceeds of the indebtedness evidenced by this Note will not be used for the purchase of registered equity securities within the purview of Regulation "U" issued by the Board of Governors of the Federal Reserve System and (iv) on the Maturity Date, Payee shall not have any obligation to refinance the indebtedness evidenced by this Note or to extend further credit to Maker.

12. *Waiver of Jury Trial.* BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PAYEE AND THE MAKER DESIRE THAT DISPUTES ARISING HEREUNDER OR RELATING HERETO BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OR ARBITRATION, THE MAKER AND THE PAYEE WAIVE ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED IN CONNECTION WITH THIS NOTE AND THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR PAYEE TO ENTER INTO THE LOAN TRANSACTION EVIDENCED BY THIS NOTE.

IN WITNESS WHEREOF, Maker has caused this Note to be duly executed and delivered as of the date first set forth above.

iBEAUTY.COM INC., a New York corporation

By: \_\_\_\_\_

Name: Samuel D. Waksal

Title: Chairman of the Board

Schedule 4(a)

**Subsidiaries**

As of the date of the Agreement, Borrower has one subsidiary, ib.com2, Inc., which has no assets and does not conduct a significant amount of business.

Schedule 4(d)

**Liens**

UCC-1 financing statement with The Fragrance Counter, as debtor, and Textron Financial Corporation, as secured party, filed with (i) the Secretary of State of the State of New York on August 4, 1999 (Filing #156547) and (ii) the City Register of New York County on August 18, 1999 (Filing #99PN44850), copies of which are attached.

**Litigation**

1. Blue Martini Software, Inc. – Blue Martini Software, Inc. (“Blue Martini”) claims the Company owes approximately \$600,000 for maintenance fees and consulting services. The Company disputes this claim and is currently in discussions with Blue Martini.

2. Bond Technologies, Inc. – On January 11, 2001, Bond Technologies, Inc. (“Bond”) informed the Company that as a result of an outstanding balance of approximately \$160,000 for providing certain technology consultants, Bond planned to instruct its attorneys to file for an injunction to shut down the Company’s Web site. The injunction was never filed and the Company believes that Bond has no grounds to file for an injunction and also disagrees with the amount owed. The Company and Bond are currently negotiating payment.

3. MacArthur Associates – By letter dated January 25, 2001, MacArthur Associates (“MacArthur”) informed the Company that it would instruct its attorneys to file suit against the Company if it did not receive payment of \$29,000 within five (5) business days for certain placement services. The Company and MacArthur are currently negotiating payment.

4. Redapt Systems and Peripherals, Inc. v. ibeauty.com, Inc., (filed in Superior Court, State of Washington, King County) - On or about July 21, 2000, Redapt Systems and Peripherals, Inc. (“Redapt”) filed suit in the State Superior Court in the State of Washington against the Company alleging breach of contract for the Company’s failure to pay for computer equipment sold and delivered to the Company by Redapt in the amount of \$126,141.00. The parties negotiated a settlement wherein the Company agreed to pay the full sum of \$126,141.00 plus interest in two installments, the first of which was due upon the signing of the Settlement Agreement, and the second of which is due on January 23, 2001. The Company signed the Settlement Agreement on or about October 30, 2000 and delivered a check to Redapt in the amount of \$67,522.15. The Company was obligated to pay \$64,314.30 on or before January 23, 2001 but has requested a two-week extension. This payment obligation is secured by a Confession of Judgment which is being held in escrow by the attorney for Redapt. Redapt has delivered a General Release in favor of the Company which is being held in escrow pending final payment of the sums due.

5. TechSearch LLC - TechSearch LLC (“TechSearch”), through its attorneys Niro, Scavone, Haller & Niro, sent a letter to the Company, dated August 21, 2000, stating that: (i) it owns U.S. Patent No. 5,253,341, entitled Remote Query Communications System, covering methods and systems for retrieving graphical and/or audio data from a remote server in response to a query and for then

presenting the information to an end user; (ii) it believes that the Company's web site induces the infringement by others of such patent; (iii) it is prepared to grant to the Company (a) a paid-up perpetual license to use the patented methods and systems in exchange for a one-time payment of \$80,000 and (b) a full release for any past infringement by the Company of the patented methods and systems; and (iv) a prompt response to the letter is required by the Company so it can determine whether additional action may be necessary. At the Company's request, Phillips Nizer Benjamin Krim & Ballon LLP ("Phillips Nizer") sent a response letter dated September 1, 2000 to TechSearch's attorneys stating that the Company is unaware of and denies any infringing conduct and requires additional information about the claimed patent in order fully to evaluate the infringement claim. TechSearch has not responded to Phillips Nizer's letter and there has been no further communications between the parties.

Schedule 4(f)

**Tax Liabilities**

Federal, New York State and New York City tax returns for the fiscal year ended March 31, 2000 are being prepared by the Company's auditors, Ernst & Young LLP.

Schedule 4(h)

**Contracts with Insiders, etc.**

Services and Supply Agreement, dated as of April 23, 1999, by and between Allou Health & Beauty Care, Inc. and The Fragrance Counter, Inc.

Interactive Marketing Agreement, dated as of May 29, 1998, between America Online, Inc. and The Fragrance Counter, Inc.

Employment Agreement, dated as of April 14, 2000, by and between iBeauty.com Inc. and Gabriella Forte

Separation and Consulting Agreement, dated as of September 13, 1999, by and between iBeauty.com Inc. and Eli Katz

Consulting letter agreement, dated as of June 23, 1999, between iBeauty.com Inc. and Marvin Traub Associates, Inc.



Schedule 4(n)

**Claims Against Collateral**

See Schedule 4(e).

Schedule 4(o)

**Intellectual Property**

**(i) Trademark (ibeaauty.com):**

Pending:

Int'l Class 3 (75/732,521) (beauty products)

Int'l Class 16 (Ser. No. 75/732,847) (printed materials)

Int'l Class 18 (Ser. No. 75/733,321) (luggage)

Int'l Class 35 (Ser. No. 75/732,842) (on-line retail services)

Int'l Class 42 (Ser. No. 75/732,778) (information services)

Notice of Allowance issued and Extension submitted:

Int'l Class 14 (75/733,262) (jewelry)

**Internet Domain Name:**

www.ibeaauty.com

**Proprietary Software:**

Owned: None

Licensed:

Blue Martini Software, Inc. (e-commerce platform)

GlobalCenter Inc. (hosting services)

Kana Communications, Inc. (customer service messaging)

LivePerson, Inc. (on-line customer service chat)

**(iv) Infringement:**

See Schedule 4(e)

Schedule 4(q)

**Securities Collateral**

Gazelle Beauty Center & Day Spa, Inc.<sup>1</sup>:

1. \$70,000 Convertible Promissory Note due September 10, 1999
2. \$150,000 Convertible Promissory Note due September 10, 1999

JAF Communications LLC (LuxuryFinder.com):

\$200,000 Class B subscription<sup>2</sup>

Nylon L.L.C.:

\$850,000 member investment<sup>3</sup>

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<sup>1</sup> Gazelle has informed the Company that it is insolvent and the Company does not expect to recover the funds loaned to Gazelle under the Notes.

<sup>2</sup> Uncertificated membership interest

<sup>3</sup> Uncertificated membership interest

Schedule 4(r)

**Equipment and Inventory**

Locations:

1. 132 West 36<sup>th</sup> Street, 9<sup>th</sup> Floor, New York, New York 10018
2. 68 Emjay Boulevard, Brentwood, New York 11717
3. c/o ELM Freight Handlers, Inc., 50 Emjay Boulevard, Brentwood, New York 11717

Schedule 4(s)

**Assigned Agreements**

Services and Supply Agreement, dated as of April 23, 1999, by and between Allou Health & Beauty Care, Inc. and The Fragrance Counter, Inc.

\*Interactive Marketing Agreement, dated as of May 29, 1998, between America Online, Inc. and The Fragrance Counter, Inc.

Agreement, by and between Humboldt Bank (represented by Creditcards.com) and iBeauty.com Inc.

Agreement, dated as of October 17, 2000, between ELM Freight Handlers, Inc. and iBeauty.com Inc.

Employment Agreement, dated as of April 14, 2000, by and between iBeauty.com Inc. and Gabriella Forte

Master Service Agreement, dated as of May 21, 1998, by and between The Fragrance Counter, Inc. and Frontier GlobalCenter, Inc.

Master Agreement, dated as of December 12, 2000, between IPsoft Incorporated and iBeauty.com Inc.

Online Services Agreement, dated \_\_\_\_\_, 1999, by and between Kana Communications, Inc. and iBeauty.com Inc.

Separation and Consulting Agreement, dated as of September 13, 1999, by and between Eli Katz and iBeauty.com Inc.

Sublease Agreement, dated as of June 16, 2000, between KSK International, Inc. and iBeauty.com Inc.

Network Membership Agreement, dated as of November 19, 1998, by and between LinkShare Corporation and The Fragrance Counter, Inc.

Letter Agreement, dated as of February 15, 1999, between LivePerson, Inc. and The Fragrance Counter, Inc.

Consulting letter agreement, dated as of June 23, 1999, between The Fragrance Counter, Inc. and Marvin Traub Associates, Inc.

\*Defaulted

Schedule 5(h)(v)

**Existing Indebtedness**

\$5,000,000 7% Non-Negotiable Promissory Note payable to Scientia Health Corp. and due March 31, 2001

\$2,000,000 7% Amended and Restated Non-Negotiable Promissory Note payable to Dr. Samuel D. Waksal and due March 31, 2001

\$1,705,650 7% Non-Negotiable Promissory Note payable to Dr. Samuel D. Waksal and due March 31, 2002

**SCHEDULE 5(S)(C)**

**STOCKHOLDERS WHO MAY RECEIVE PAYMENT**

Allou Health & Beauty Care, Inc. (as permitted under the Services and Supply Agreement dated as of April 23, 1999, by and between Allou Health & Beauty Care, Inc. and The Fragrance Counter, Inc.)

America Online, Inc. (as permitted under the Interactive Marketing Agreement, dated as of May 29, 1998 between America Online, Inc. and the Fragrance Counter, Inc.)

**SCHEDULE 8(A)**

**PRINCIPAL PLACE OF BUSINESS OF  
IBEAUTY.COM, INC.**

132 West 36<sup>th</sup> Street  
New York, New York 10018