

04-23-2001



CORDATION FORM COVER SHEET TRADEMARK ONLY

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office

101682117

U.S. Patent and Trademark Office Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Lee's Manufacturing Co., Inc.
1700 Smith Street
North Providence, RI 02911

4-2-01

- Individual(s)
- General Partnership
- Corporation-State Rhode Island
- 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: March 15, 2001

2. Name and address of receiving party(ies)

Name: Sovereign Bank

Internal Address: _____

Street Address: 15 Westminster Street

City: Providence State: RI ZIP: 02903

- Individual(s) citizenship _____
- Association _____
- General Partnership _____
- Limited Partnership _____
- Corporation-State _____
- Other federal savings bank

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)

B. Trademark Registration No.(s)

1,556,761

Additional numbers attached? Yes No

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

Name: Janet S. Fogarty, Esq.

Internal Address: _____

MacAdams & Wieck Incorporated

Street Address: 101 Dyer Street, Suite 400

City: Providence State: RI ZIP: 02903

6. Total number of applications and registrations involved: 1

7. Total fee (37 CFR 3.41).....\$ 40.00

Enclosed

Authorized to be charged to deposit account

8. Deposit account number:

N/A

(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.

Janet S. Fogarty, Esq.

Name of Person Signing

Signature

March 30, 2001

Date

Total number of pages including cover sheet, attachments, and document: 1

Mail documents to be recorded with required cover sheet information to the U.S. Patent and Trademark Office, Box Assignments

TRADEMARK
REEL: 002276 FRAME: 0014



SECURITY AGREEMENT

LEE'S MANUFACTURING CO., INC., a corporation organized under the laws of the State of Rhode Island with a chief executive office, principal place of business and mailing address at 1700 Smith Street, North Providence, Rhode Island 02911 (hereinafter referred to as "Debtor"), hereby grants to **SOVEREIGN BANK**, a federal savings bank with an address at 15 Westminster Street, Providence, Rhode Island 02903 ("Secured Party") a security interest in the property set forth on **EXHIBIT "A"** annexed hereto (hereinafter referred to as the "Collateral"), to secure the payment and performance of all obligations of Debtor to Secured Party (hereinafter referred to as the "Obligations"). The term "Obligations" shall mean any and all loans, advances and other credit made by Secured Party prior to, on or after the date of this Agreement to or for the account of Debtor, and any and all interest, commissions, obligations, liabilities, indebtedness, charges and expenses now or hereafter chargeable against Debtor by Secured Party or owing by Debtor to Secured Party, whether any of the foregoing are direct or indirect, joint or several, absolute or contingent, due or to become due, now existing or hereafter arising, no matter how or when arising and whether under any present or future agreement or instrument between Debtor and Secured Party or otherwise, and the performance and fulfillment by Debtor of all of the terms, conditions, promises, covenants and provisions contained in this Agreement or in any note or notes, agreement or agreements secured hereby or in any present or future agreement or instrument between Debtor and Secured Party.

REPRESENTATIONS AND WARRANTIES:

Debtor hereby represents and warrants to the Secured Party that:

1. Debtor is solvent, is able to pay its debts as they mature, has not within the last four months prior to the date hereof committed any act of bankruptcy, and intends to pay, keep and perform its obligations hereunder.
2. Debtor's exact legal name is as set forth in the first paragraph of this Agreement. Debtor has not, during the preceding five (5) years, changed its name, been a party to a merger, or used any other corporate, fictitious or trade name. If the Debtor is not an individual, Debtor was organized in the state identified in the first paragraph of this Agreement.
3. Debtor has the power to execute, deliver and carry out this Agreement and to incur the Obligations, and has taken all necessary action to authorize the execution, delivery and performance by Debtor of this Agreement and the incurring of the Obligations.

4. The execution and delivery of this Agreement and compliance by Debtor with any of the terms and provisions or of any of the other agreements or instruments referred to herein or in any thereof, will not, on the date hereof, violate any provision of any existing law or regulation or any writ or decree of any court or governmental instrumentality or of the charter or by-laws of Debtor or any agreement or instrument to which Debtor is a party or which is binding upon it or its assets, and will not result in the creation or imposition of any lien, security interest, charge or encumbrance of any nature whatsoever upon or in any of its assets except as contemplated by this Agreement, and no consent of any other party (including stockholders or other equity interest holders of Debtor) and no consent, license, approval or authorization of, or registration or declaration with, any governmental bureau or agency is required in connection with the execution, delivery, performance, validity, and enforceability of this Agreement.

5. Debtor has good and marketable title to the Collateral, and none of the Collateral is subject to any mortgage, pledge, lease, trust, bailment, lien, security interest, encumbrance, charge or title retention or other security agreement or arrangement of any character whatsoever other than those listed on **EXHIBIT "B"** annexed hereto ("Permitted Encumbrances"), and, to the extent that this Agreement states that the Collateral is to be acquired after the date hereof, will be the owner of the Collateral free from any adverse liens, security interest or encumbrance except as set forth on **EXHIBIT "B;"** and Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

6. Debtor will make punctual payment of all monies and will faithfully and fully keep and perform all of the terms, conditions, covenants, and agreements contained on Debtor's part to be paid, kept, or performed hereunder, and will be bound in all respects as debtor under this Agreement; and will make punctual payment of all monies and will faithfully and fully keep and perform all of the terms, conditions, covenants and agreements on its part to be paid, kept or performed under the terms of any lease or mortgage of the premises where the Collateral is located or is to be located wherein Debtor is lessee or mortgagor, and will promptly notify Secured Party in the event of any default on the part of Debtor or receipt by Debtor of any notice of alleged default under any such lease or mortgage.

COVENANTS:

Debtor hereby covenants to Secured Party and agrees that:

1. Except as set forth on **EXHIBIT "C"**: (a) the Collateral will be kept at the address set forth in the first paragraph of this Agreement, and Debtor will not remove the Collateral from said location(s) without prior written consent of Secured Party; and (b) Debtor's place of business is at the address set forth in the first paragraph of this Agreement, and Debtor will immediately notify Secured Party in writing of any change in or discontinuance of Debtor's place or places of business.

2. If Debtor is a legal entity, Debtor will preserve its legal existence and not, in one transaction or a series of related transactions, merge into or consolidate with any other entity, or sell all or substantially all of its assets, without the prior written consent of Secured Party.

Debtor will not change the state of its organization, nor change its legal name, without providing Secured Party with thirty (30) days prior written notice.

3. If any or all of the Collateral is attached to or may be attached to real estate, prior to the perfection of the security interest granted hereby, Debtor will, on demand of Secured Party, furnish the latter with a disclaimer signed by all persons having an interest in the real estate, of any interest in the Collateral which is or may be prior to Secured Party's interest.

4. Except for Permitted Encumbrances, no financing statement covering any Collateral or any additions, accessions, proceeds or products thereof or thereto is on file in any public office. At the request of Secured Party, Debtor will join with Secured Party in executing one or more financing statements pursuant to the Uniform Commercial Code in form satisfactory to Secured Party and will pay the cost of filing and recording the same in all public offices wherever filing and/or recording is deemed by Secured Party to be necessary or desirable. To the extent allowed by the Uniform Commercial Code, as the same may be amended, Debtor authorizes Secured Party to execute one or more financing statements describing the Collateral on Debtor's behalf and to file same, and Debtor will pay the cost of filing and recording the same in all public offices whenever filing and/or recording is deemed by Secured Party to be necessary or desirable.

5. Debtor will not sell, exchange or otherwise dispose of the Collateral, or any part thereof or any interest therein without the express written authorization of Secured Party; in the event of the sale, exchange or other disposition of the Collateral or any part thereof or any interest therein (and no such sale, exchange or other disposition is hereby authorized or consented to), the security interest of Secured Party shall nevertheless continue in said Collateral (including all proceeds, cash and non-cash) notwithstanding said sale, exchange or other disposition; all of said proceeds shall remain Collateral hereunder and shall be transferred and paid over to Secured Party immediately following said sale, exchange, or other disposition and shall be applied at the option of Secured Party either to installments due hereunder or referred to herein in their inverse order of maturity or to the payment of any monies payable under this Agreement, or to any Obligation of Debtor to Secured Party; and the receipt by Secured Party of all or any part of said proceeds shall not be deemed or construed to be an authorization or consent of Secured Party to such sale, exchange or other disposition of said Collateral.

6. Debtor will have and maintain insurance at all times with respect to all Collateral against risks of fire (including so-called extended coverage), theft and such risks as Secured Party may reasonably require, containing such terms, in such form, and for such periods, and written by such companies as may be satisfactory to Secured Party, such insurance to be payable to Secured Party and Debtor as their interests may appear; each policy of insurance shall have a loss payee endorsement providing:

- a. That loss or damage, if any, under the policy, shall be payable to Secured Party, as secured party, as its interest may appear.
- b. That the insurance as to the interest of Secured Party shall not be invalidated by any act or neglect of the insured or owner of the property described in said policy, nor by any foreclosure, or other proceeding, or notice of sale relating to said prop-

erty, nor by any change in the title of ownership of said property, nor by the occupation of the premises where the property is located for purposes more hazardous than are permitted by said policy;

- c. That, if the policy is canceled at any time by the insurance carrier, in such case the policy shall continue in force for the benefit of Secured Party for not less than thirty (30) days after written notice of cancellation to Secured Party from the insurance carrier; and
- d. That the policy will not be reduced or canceled at the request of the insured nor will said loss payee endorsement be amended or deleted without thirty (30) days prior written notice to Secured Party from the insurance carrier.

Debtor shall furnish Secured Party with certificates or other evidence satisfactory to Secured Party of compliance with the foregoing insurance provisions; and Secured Party may act as attorney for Debtor in obtaining, adjusting, settling and canceling such insurance and receiving and endorsing any drafts. Debtor hereby assigns to Secured Party any and all monies which may become due and payable under any policy insuring the Collateral covered by this Security Agreement, including return of unearned premiums, and hereby directs any insurance company issuing any such policy to make payment directly to Secured Party and authorizes Secured Party, at its option, (i) to apply such monies in payment on account of any Obligation hereunder, whether or not due, or (ii) to return said funds to Debtor for the purpose of replacement of the Collateral, and (iii) to remit any surplus to Debtor.

7. Other than Permitted Encumbrances, Debtor will keep the Collateral free from any lien, security interest or encumbrance and in good order and repair, and will not waste or destroy the Collateral or any part thereof; Debtor will not use the Collateral in violation of any statute or ordinance; and Secured Party may examine and inspect the Collateral at any time, wherever located; and Debtor will notify Secured Party in the event of loss, theft, damage, destruction, sale or encumbrance to or of any of the Collateral or the making of any levy, seizure or attachments thereof or thereon, or the placing of any lien or liens thereon or generally on the property of Debtor by the United States of America or any federal, state or local governmental agency or authority.

8. Debtor will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation or upon this Security Agreement or upon any note or notes evidencing the Obligations of this Security Agreement. At its option, in its sole and absolute discretion, Secured Party may discharge taxes, liens, or security interests or other encumbrances at any time levied or placed on the Collateral, may pay for insurance on the Collateral and may pay for the maintenance and preservation of the Collateral, including but not limited to payments on premises leased by Debtor. Debtor agrees to reimburse Secured Party on demand for any payment made, or any expense incurred by Secured Party pursuant to the foregoing authorization. Secured Party may, in its sole and absolute discretion, and without notice to Debtor, make payment of same or any part thereof. Each amount so paid by Secured Party shall be secured by all Collateral held by Secured Party. Nothing herein contained shall obligate Secured Party to make such payment nor shall the making of one or more such payments constitute (i) an agreement on Se-

cured Party's part to take any further or similar action or (ii) a waiver of any default by Debtor under the terms thereof or of this Security Agreement.

9. Debtor shall provide a physical listing of all inventory and equipment wherever located to Secured Party at such time or times as Secured Party may request. Secured Party shall have the right to examine and inspect its Collateral at any reasonable time.

10. From time to time, Debtor will execute, deliver, acknowledge, file, record or register, or cause to be filed, recorded or registered, any and all notices, amendments, statements, certificates, documents or other instruments, and take any and all other action which may be deemed necessary by Secured Party hereunder.

11. Debtor shall pay all reasonable counsel fees and expenses, including recording and filing fees, incurred by Secured Party in connection with the Obligations as well as any reasonable counsel fees and expenses of any kind and character hereafter incurred by Secured Party, whether in connection with efforts to collect the Obligations, or in the enforcement or defense of any of the provisions of this Agreement; or negotiations regarding and consultation concerning this Agreement or any supplemental agreement, or preparation therefor, or the financing extended thereunder; or the defense of any proceedings involving any claims made or threatened against or arising out of this Agreement or any supplemental agreement, or the financing extended thereunder, or which Secured Party may hereafter incur in protecting, enforcing, increasing or releasing any security held by Secured Party or any Obligation or any provision of this Agreement or any supplemental agreement, or the financing extended thereunder, or otherwise. The Debtor's obligation to pay such counsel fees and expenses of Secured Party shall exist whether or not proceedings are instituted or legal appearances made in any court on behalf of Secured Party. Debtor specifically authorizes Secured Party to pay all such fees and expenses and charge the same to Debtor's loan account.

12. At the request of Secured Party, Debtor shall provide Secured Party with schedules describing all Receivables, as defined in **EXHIBIT "A,"** created or acquired by Debtor during the period specified in such request and shall, at the request of Secured Party, execute and deliver written assignments of such Receivables to Secured Party, provided, however, that its failure to execute and deliver such schedules and/or assignments shall not affect or limit Secured Party's security interest or other rights in and to Receivables. At the request of Secured Party, together with each schedule, Debtor shall furnish copies of customers' invoices or the equivalent, and original shipping or delivery receipts for all merchandise sold and Debtor warrants the genuineness thereof. Debtor further warrants that all Receivables are and will be bona fide existing obligations created by the sale and delivery of merchandise or the rendition of services to customers in the ordinary course of business, free of liens, encumbrances and security interests and unconditionally owed to Debtor without defense, offset or counterclaim. Each schedule shall further include a list indicating the aging of all Receivables previously reported to Secured Party, collections of all Receivables previously reported to Secured Party, and all cash sales made by Debtor during the prior month. In addition to said schedules, Debtor will notify Secured Party in the event any customer or account debtor disputes liability or makes any claim with respect to any Receivable or a petition in bankruptcy or application for relief under the Bankruptcy Code or any insolvency law is filed with respect to the customer or account debtor or the customer or ac-

count debtor assigns for the benefit of creditors, becomes insolvent, fails, suspends or goes out of business.

13. At the request of Secured Party, Debtor shall place notations upon its books of account to disclose the assignment of all Receivables to Secured Party or Secured Party's security interest therein and shall perform all other steps requested by Secured Party to create and maintain in its favor a valid security interest, assignment or lien in, of, or on all Receivables and all other security held by Secured Party or for Secured Party, subject only to Permitted Encumbrances.

14. Debtor appoints Secured Party or any other person Secured Party may designate as its attorney with power: to endorse Debtor's name on any checks, notes, acceptances, money orders, drafts or other forms of payment or security that may come into Secured Party's possession; to sign Debtor's name on any invoice or bill of lading relating to any Receivables, on drafts against customers, on schedules and assignments of Receivables, on notices of assignment, financing statements, and other public records, on verifications of accounts and on notices to customers; to notify the post office authorities to change the address for delivery of Debtor's mail to an address designated by Secured Party; to receive, open and dispose of all mail addressed to Debtor; to send requests for verification of Receivables to customers or account debtors, and to do all things necessary to carry out this Agreement; and to file financing statements with any applicable filing office. Neither Secured Party nor the attorney will be liable for any acts or omissions nor for any error of judgment or mistake of fact or law. This power, being coupled with an interest, is irrevocable so long as any Receivables assigned to Secured Party or in which it has a security interest remain unpaid or until the Obligations have been fully satisfied.

15. The Debtor agrees to furnish to the Secured Party the financial information set forth on **EXHIBIT "D"**. Secured Party and its representatives shall at all times have and be entitled to free and undisturbed access to Debtor's books of account, ledgers and cabinets and may examine and audit the contents thereof and make excerpts therefrom. All additional books of account, ledgers and cabinets in which there may hereafter be reflected or maintained assigned Receivables and supporting evidence or documents pertaining thereto shall also and without further act be subject to the provisions of this paragraph.

16. If Debtor fails to make any payment required of it, in addition to all of the rights and remedies of Secured Party herein, Secured Party will have the right forthwith or at any time thereafter to remove from Debtor's premises all books of account, ledgers and cabinets. Secured Party may keep and retain the same in its possession until all present and future indebtedness and Obligations of whatever nature owing by Debtor to Secured Party shall have been fully paid and discharged, but notwithstanding such removal, Debtor shall be afforded access thereto at the place or places to which the same are removed by Secured Party for the purpose of examining and auditing the same and making written excerpts therefrom.

17. Debtor will at all times hereafter maintain a standard and modern system of accounting in accordance with generally accepted accounting principles. Debtor shall promptly notify Secured Party of any material adverse change in its financial condition.

18. At the request of Secured Party, Debtor will furnish Secured Party with proof satisfactory to Secured Party of the payment or deposit of F.I.C.A. and withholding taxes required of Debtor by applicable law. Such proof shall be furnished within five (5) days after the due date established by law for each such payment or deposit. Should Debtor fail to make any such payment or deposit or furnish such proof, Secured Party may, in its sole and absolute discretion, and without notice to Debtor, make payment of the same or any part thereof. Each amount so paid by Secured Party shall be secured by all Collateral held by Secured Party. Nothing herein contained shall obligate Secured Party to make such payment nor shall the making of one or more such payments constitute (i) an agreement on Secured Party's part to take any further or similar action or (ii) a waiver of any default by Debtor under the terms hereof or of any other agreements between Debtor and Secured Party.

19. Secured Party may notify customers or account debtors or any third parties who are in any way indebted to Debtor, at any time, whether or not Debtor is in default under this Agreement, that Receivables have been assigned to it or of its security interest therein, collect them directly and charge the collection costs and expenses to Debtor's account, but, unless and until Secured Party instructs Debtor to the contrary, Debtor shall make collections of all Receivables.

DEFAULT PROVISIONS:

Debtor hereby agrees that:

1. Until default, Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with this Agreement and not inconsistent with any policy of insurance thereon provided, however, that Secured Party may transfer any of the Collateral into its name or that of its nominee and may receive the income and any distribution thereon and hold the same as collateral for the Obligations, whether or not a default or an Event of Default has occurred.

2. Debtor shall be in default under this Agreement upon the happening of any one of the following events or conditions:

a. Failure to make any payment of principal or interest or any other sums when due on any of the Obligations.

b. Any warranty or representation or other statement made or furnished to the Secured Party by or on behalf of the Debtor herein or in any document or instrument furnished in connection herewith proves to have been false or misleading in any material respect when made or furnished.

c. Breach of or failure in the due observance or performance of any covenant, condition or agreement on the part of the Debtor to be observed or performed pursuant to this Agreement.

d. Breach by Debtor or any other party liable with Debtor or any guarantor of Debtor's Obligations (a "Guarantor") of any other agreement with Secured Party.

e. A judgment or judgments for the payment of money shall be rendered against the Debtor or any Guarantor, and any such judgment shall remain unsatisfied and in effect for any period of thirty (30) consecutive days without a stay or execution ; or

f. The Debtor or any Guarantor shall (1) apply for or consent to the appointment of a receiver, trustee or liquidator of all or a substantial part of any of its assets; (2) be unable, or admit in writing its inability, to pay its debts as they mature; (3) file or permit the filing of any petition, case arrangement, reorganization, or the like under any insolvency or bankruptcy law, or the adjudication of it as a bankrupt, or the making of an assignment for the benefit of creditors or the consenting to any form or arrangement for the satisfaction, settlement or delay of debt or the appointment of a receiver for all or any part of its properties; or (4) any action shall be taken by the Debtor or any Guarantor for the purpose of effecting any of the foregoing; or

g. An order, judgment or decree shall be entered, or a case shall be commenced, against the Debtor or any Guarantor, without its application, approval or consent by any court of competent jurisdiction, approving a petition or permitting the commencement of a case seeking reorganization or liquidation of the Debtor or any Guarantor or appointing a receiver, trustee or liquidator of the Debtor or any Guarantor, or of all or a substantial part of the assets of the Debtor or any Guarantor, and Debtor or any Guarantor, by any act, indicate its approval thereof, consent thereto, or acquiescence therein, or such order, judgment, decree or case shall continue unstayed and in effect for any period of thirty (30) consecutive days; or

h. If the Debtor or any Guarantor shall dissolve or liquidate, or be dissolved or liquidated, or cease to legally exist, or merge or consolidate, or be merged or consolidated with or into any other corporation; or

i. If Debtor or any Guarantor who is a natural person shall die; or

j. Failure by the Debtor or by any Guarantor to pay any other indebtedness or obligation, or if any such other indebtedness or obligation shall be accelerated, or if there exists any event of default under any instrument, document or agreement governing, evidencing or securing such other indebtedness or obligation; or

k. If at any time, the Secured Party believes in good faith that there is such a material adverse change in the condition or affairs (financial or otherwise) of the Debtor or any Guarantor as the Secured Party believes in good faith impairs the Secured Party's security (if any) or increases its risk; or

l. Loss, theft, substantial damage, destruction, sale or encumbrance of any of the Collateral or the making of any levy, seizure or attachment thereof or thereon, or the placing of any lien or liens thereon or generally on the property of Debtor by the United States of America or any federal, state or local governmental agency or authority; or

m. The occurrence of an Event of Default under that certain Loan and Consignment Agreement among Debtor, Morvillo & Sons, Inc., a Rhode Island corporation, and Secured Party of even date herewith, as the same may be amended and/or restated from time to time (the "Loan Agreement").

3. Upon the happening of any event of default specified above, Secured Party shall have the right to declare all obligations immediately due and payable and in addition to its rights hereunder, all of the remedies of a secured party under the Uniform Commercial Code or any other applicable law, and, further, Secured Party may sell and deliver any or all Receivables and any or all other security and collateral held by Secured Party or for Secured Party at public or private sale, for cash, upon credit or otherwise, at such prices and upon such terms as Secured Party deems advisable, at Secured Party's sole discretion. In the event Debtor commits a breach of any provision of this Agreement, in addition to all other sums due Secured Party, Debtor will pay Secured Party all reasonable costs and expenses incurred by Secured Party, including a reasonable allowance for attorneys' fees, to obtain or enforce payment of Receivables or Obligations, or in the prosecution or defense of any action or proceeding either against Secured Party or against Debtor concerning any matter arising out of or connected with this Agreement or the Receivables or Obligations and all supplements and amendments hereto, if any. Any requirement of reasonable notice shall be met if such notice is mailed postage prepaid to Debtor at its address as set forth herein at least ten (10) days before the time of sale or other disposition. Secured Party may be the purchaser at any such sale, if it is public, and, in the event Secured Party is the purchaser, Secured Party shall have all the rights of a good faith, bona fide purchaser for value from a secured party after default. The proceeds of sale shall be applied first to all costs and expenses of sale, including reasonable attorneys' fees, and second to the payment (in whatever order Secured Party elects) of all Obligations, and any remaining proceeds shall be applied in accordance with the provisions of Part 5 of Article 9 of the Uniform Commercial Code. Debtor shall remain liable to Secured Party for any deficiency.

4. Upon default, Secured Party shall have the right to take possession of its Collateral and to maintain such possession on Debtor's premises or to remove the Collateral or any part thereof to such places as it may desire. If Secured Party exercises its right to take possession of its Collateral, Debtor will, upon Secured Party's demand, assemble the Collateral and make it available to Secured Party at a place reasonably convenient to both parties.

5. No course of dealing between Debtor and Secured Party and no failure to exercise or delay in exercising on the part of Secured Party any right, power or privilege under the terms of this Agreement or under the terms of any other agreements, instruments or other documents between Secured Party and Debtor shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further privilege. The rights and remedies provided herein or in any other agreement are cumulative and not exclusive of or in derogation of any rights or remedies provided in and thereof, by law or otherwise.

6. All rights of Secured Party in, to and under this Agreement and in and to the Collateral shall pass to and may be exercised by any assignee thereof. Debtor agrees that, in the event of an assignment of this Agreement and notice of such assignment to Debtor, the liability

of Debtor to a holder for value of this Agreement shall be immediate and absolute and not affected by any claim against Secured Party as a defense, counterclaim or setoff to any action for the unpaid balance owed under this Agreement or for possession, brought by said holder.

7. DEBTOR EXPRESSLY ACKNOWLEDGES AND AGREES THAT THE LINE OF CREDIT NOTE (AS DEFINED IN THE LOAN AGREEMENT) IS A DEMAND INSTRUMENT AND THAT THE HOLDER THEREOF MAY MAKE DEMAND THEREUNDER AT ANY TIME WHETHER OR NOT A DEFAULT OR AN EVENT OF DEFAULT HEREUNDER OR UNDER THE LOAN AGREEMENT OR ANY OF THE LOAN AND SECURITY DOCUMENTS (AS DEFINED IN THE LOAN AGREEMENT) SHALL HAVE OCCURRED PRIOR TO THE MAKING OF SUCH DEMAND OR SHALL EXIST AT THE TIME OF THE MAKING OF SUCH DEMAND. DEBTOR FURTHER EXPRESSLY ACKNOWLEDGES AND AGREES THAT THE PRECIOUS METAL FACILITY (AS DEFINED IN THE LOAN AGREEMENT) BE TERMINATED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 3.1.11 OF THE LOAN AGREEMENT WHETHER OR NOT A DEFAULT OR AN EVENT OF DEFAULT HEREUNDER OR UNDER THE LOAN AGREEMENT OR ANY OF THE LOAN AND SECURITY DOCUMENTS SHALL HAVE OCCURRED PRIOR TO ANY SUCH TERMINATION OR SHALL EXIST AT THE TIME OF SUCH TERMINATION.

AGREEMENTS AND WAIVERS:

1. All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns, and all obligations of Debtor shall bind the successors and assigns of Debtor.

2. All Collateral described in this Agreement shall remain collateral as security for the performance of all obligations of Debtor under this Agreement until all monies required to be paid under this Agreement have been paid in full and all obligations on the part of Debtor to be paid, kept and performed under this Agreement have been paid, kept and performed.

3. The acceptance of any check, draft or money order tendered in full or partial payment of any obligation hereunder is conditioned upon and subject to the receipt of final payment in cash.

4. Debtor hereby waives such rights as it may have to notice and/or hearing under any applicable federal or state laws pertaining to the exercise by Secured Party of such rights as the Secured Party may have regarding the right to seek prejudgment remedies and/or deprive Debtor or any Guarantor of or affect the use of or possession or enjoyment of Debtor's property prior to the rendition of a final judgment against the Debtor. The Debtor further waives any right it may have to require Secured Party to provide a bond or other security as a precondition to or in connection with any prejudgment remedy sought by Secured Party, and waives any objection to the issuance of such prejudgment remedy based on any offsets, claims, defenses or counterclaims to any action brought by the Secured Party.

5. DEBTOR AND SECURED PARTY MUTUALLY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN

RESPECT OF ANY CLAIM BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HERewith OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR SECURED PARTY TO ACCEPT THIS AGREEMENT.

6. Debtor hereby agrees that the following courts:

State Court - Any state or local court of the State of Lender's address set forth in the first paragraph of this Agreement (the "Governing State")

Federal Court - United States District Court for the District of the Governing State.

or at the option of Secured Party, any court in which Secured Party shall initiate legal or equitable proceedings and which has subject matter jurisdiction over the matter in controversy, shall have exclusive jurisdiction to hear and determine any claims or disputes between Debtor and Secured Party pertaining directly or indirectly to this Agreement or to any matter arising in connection with this Agreement. Debtor expressly submits and consents in advance to such jurisdiction in any action or proceeding commenced in such courts, hereby waiving personal service of the summons and complaint, or other process or papers issued therein, and agreeing that service of such summons and complaint, or other process or papers, may be made by registered or certified mail addressed to Debtor at the address set forth herein. Should Debtor fail to appear or answer any summons, complaint, process or papers so served within thirty (30) days after the mailing thereof, it shall be deemed in default and an order and/or judgment may be entered against it as demanded or prayed for in such summons, complaint, process or papers. The exclusive choice of forum set forth herein shall not be deemed to preclude the enforcement of any judgment obtained in such forum or the taking of any action under this Agreement to enforce the same in any appropriate jurisdiction.

7. Debtor hereby grants to Secured Party a lien, security interest and a right of setoff as security for all of the Obligations, upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Secured Party or any entity under the control of Secured Party, or in transit to any of them. At any time, without demand or notice, Secured Party may set off the same or any part thereof and apply the same to any liability or obligation of Debtor even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE SECURED PARTY TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE DEBTOR, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED. Secured Party shall not be required to marshal any present or future security for, or guarantees of, the Obligations or to resort to any such security or guarantee in any particular order and the Debtor waives to the fullest extent that it lawfully can, (a) any right it might have to require the Secured Party to pursue any particular remedy before proceeding

against the Secured Party and (b) any right to the benefit of, or to direct the application of the proceeds of any collateral until the Obligations are paid in full.

8. All terms used in this Agreement and in all documents referred to herein and which have been defined in Articles 1, 2 or 9, Uniform Commercial Code, shall be interpreted and construed in light of the sections, the definitions, the "official comment," and the definitional and substantive cross-references of the Uniform Commercial Code, as the same may be amended.

9. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the laws of the Governing State, including its conflict of laws principles. This Agreement may not be amended orally.

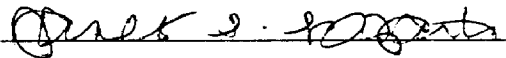
10. All exhibits referred to herein and annexed hereto are hereby incorporated in this Agreement and made a part hereof. All headings herein are for reference only.

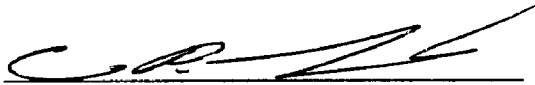
IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered this 15th day of March, 2001.

WITNESS:

DEBTOR:

LEE'S MANUFACTURING CO., INC.

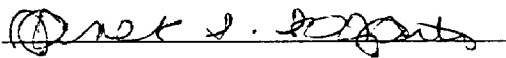


By: 
Name: CHARLES P. MORVILLO
Title: President
Duly Authorized

WITNESS:

SECURED PARTY:

SOVEREIGN BANK



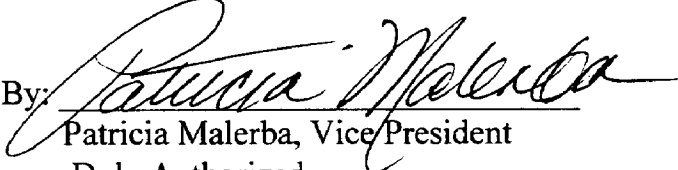
By: 
Patricia Malerba, Vice President
Duly Authorized

EXHIBIT "A"

COLLATERAL

This Security Agreement covers the following types (or items) of property:

All "Accounts," "Chattel Paper" and "Instruments" as those terms are defined in the UCC as of the date hereof, whether now owned or hereafter acquired by Debtor;

All "Inventory" as that term is defined in the UCC as of the date hereof, including, without limitation, any and all goods, merchandise or other personal property, wheresoever located and whether or not in transit, now owned or hereafter acquired by the Debtor, which is or may at any time be held for sale or lease, or furnished or to be furnished under any contract of service or held as raw materials, work in process, supplies or materials used or consumed in the Debtor's business, and all such property the sale or other disposition of which has given rise to Accounts, Chattel Paper, Documents, or Instruments and which has been returned to or repossessed or stopped in transit by the Debtor;

All "Securities Entitlements," "Investment Property," "Financial Assets," "Documents" as those terms are defined in the UCC as of the date hereof, whether now existing or hereafter acquired or arising, and also including, without limitation, bills of lading, dock warrants, dock receipts, warehouse receipts or orders for the delivery of goods, and any other documents which in the regular course of business or financing are treated as adequately evidencing that the persons in possession of them are entitled to receive, hold, and dispose of the goods they cover;

All "Equipment" as that term is defined in the UCC as of the date hereof, of Debtor, whether presently owned or hereafter acquired, and including, without limitation, machinery, furniture, furnishings, and fixtures, and any and all goods used or bought for use in or being used or for use in the conduct of Debtor's business and all goods used or bought for use in Debtor's business which are not included within the definition of Inventory, and all accessions and additions thereto, replacements therefor, and substitutions therefor;

EXHIBIT "A"

COLLATERAL

(continued)

All "Motor Vehicles" whether now owned or hereafter acquired by the Debtor, and all accessions and additions thereto, replacements therefor, and substitutions therefor;

All "General Intangibles" as that term is defined in the UCC as of the date hereof, whether presently owned or hereafter acquired, including, without limitation, all choses in action, causes of action, and all other intangible personal property of the Debtor, including, without limitation, corporate or other business records, inventions, designs, patents, patent applications, trademarks, servicemarks, tradenames, trade secrets, goodwill, copyrights, registrations, licenses, franchises, customer lists, tax refund claims, credit files, computer programs, printouts and other computer materials and records, guaranty claims, security interests or other property held by or granted to Debtor to secure payment of any obligation of any obligor of Debtor and any and all of the rights of Debtor of whatever nature under any and all contracts, agreements, or leases (whether of real or personal property) to which the Debtor is or may become a party, including without limitation all of the rights of Debtor to enforce all of the provisions of, and to obtain payments or other performance due under, all contracts, agreements, or leases;

All monies, securities and other property of the Debtor, and the proceeds thereof, now or hereafter held or received by or in transit to the Secured Party whether for safekeeping, custody, pledge, transmission, collection or otherwise, and also in and to any and all deposits, general or special, and credits of the Debtor with, and any and all claims of the Debtor against, the Secured Party now or at any time hereafter existing; and

All products and proceeds of the foregoing, including, without limitation, proceeds of any insurance policies insuring any of the foregoing.

All references to the UCC shall refer to the Uniform Commercial Code in effect in the state applicable to the Collateral.

EXHIBIT "B"

LIENS, ENCUMBRANCES, ETC.

None.

EXHIBIT "C"

LOCATION OF COLLATERAL

PLACES OF BUSINESS OF DEBTOR

1700 Smith Street
North Providence, Rhode Island 02911

Collateral may from time to time be located at the premises of one or more refiners approved by Secured Party in writing in advance.

EXHIBIT "D"

FINANCIAL STATEMENTS AND REPORTING

Debtor shall furnish to Secured Party the following financial information:

- (a) on or within 30 days of its filing, a copy of its federal income tax return and all required schedules filed with the Internal Revenue Service for the immediately preceding tax year;
- (b) on or before 90 days after the end of Debtor's fiscal year, its annual financial statement prepared on a review basis by a firm of certified public accountants in accordance with generally accepted accounting principles consistently applied in scope and with exceptions acceptable to the Secured Party, and on or before 20 days after the end of each quarter, a financial statement for such quarter in form satisfactory to the Secured Party, and all certified to the Secured Party as correct by an authorized representative of Debtor, together with a so-called "no default" certificate and calculations demonstrating Debtor's compliance with all covenants;
- (c) on or before fifteen (15) days after the end of each month, a so-called consignment base certificate as the last day of such month, including inventory designations;
- (d) on or before fifteen (15) days prior to the start of each of Debtor's fiscal years, its projected balance sheets, income statements and cash flow statements covering a period of not less than one year; and
- (d) promptly after the Secured Party's request, such other information as the Secured Party may, from time to time, reasonably request.

Such financial statements shall consist of balance sheets, income statements and supporting information, including without limitation, leases, tax returns and schedules for the most recent three (3) years, schedule and pledge status of liquid assets, schedule of debt maturities, schedule of contingent liabilities, and cash flow schedules for income producing property. The financial statements shall fairly and consistently represent Debtor's financial condition.

Whether requested or not, the Debtor will furnish to the Secured Party promptly upon receipt thereof copies of any and all management letters and financial statements submitted to the Debtor by its accountants and copies of all regular statements and all regular or periodic financial reports which Debtor is or may be required to file with the Securities and Exchange Commission.