

08-20-2001

8-10-01



101816304

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

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

Submission Type

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

Conveyance Type

- Assignment License
- Security Agreement Nunc Pro Tunc Assignment
- Merger
- Change of Name
- Other

Effective Date
Month Day Year
8 9 01

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year
8 9 01

Name

Formerly

- Individual General Partnership Limited Partnership Corporation Association
- Other
- Citizenship/State of Incorporation/Organization

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

- Individual General Partnership Limited Partnership If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)
- Corporation Association
- Other
- Citizenship/State of Incorporation/Organization

FOR OFFICE USE ONLY

08/17/2001 6TDM11 00000097 1756127
01 FC:481 40.00 OP
02 FC:482 150.00 OP

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

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

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

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

Trademark Application Number(s) or Registration Number(s) Mark if additional numbers attached

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

Trademark Application Number(s)			Registration Number(s)		
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1,756,127"/>	<input type="text" value="0,998,980"/>	<input type="text" value="0,683,504"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="0,683,291"/>	<input type="text" value="0,725,638"/>	<input type="text" value="0,389,262"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="0,145,352"/>	<input type="text"/>	<input type="text"/>

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

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

Method of Payment: Enclosed Deposit Account

Deposit Account (Enter for payment by deposit account or if additional fees can be charged to the account.)
Deposit Account Number: #

Authorization to charge additional fees: Yes No

Statement and Signature

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

Nathan M. Eisler, Esq.
Name of Person Signing

Nathan M. Eisler
Signature

8/9/01
Date Signed

INTELLECTUAL PROPERTY SECURITY AGREEMENT

INTELLECTUAL PROPERTY SECURITY AGREEMENT, dated as of August 9, 2001 (this "Agreement"), by RF & Son Inc., a Delaware corporation (the "Grantor"), in favor of Transamerica Business Capital Corporation, a Delaware corporation, as agent for the lenders referred to below (in such capacity, the "Agent").

WITNESSETH:

WHEREAS, RFS Ecusta Inc., a Delaware corporation, and RFS US Inc., a Delaware corporation (collectively, the "Borrowers") are entering into a Loan and Security Agreement of even date herewith (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement"; capitalized terms which are used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Loan Agreement) with the Agent and the lenders from time to time party thereto (the "Lenders") pursuant to which the Lenders have agreed, among other things, to make Loans to, and to provide for the issuance of Letters of Credit for the account of, the Borrowers, subject to the terms and conditions set forth in the Loan Agreement;

WHEREAS, the Grantor is the legal and beneficial owner of all of the shares of capital stock of the Borrowers; and

WHEREAS, it is a condition precedent to the effectiveness of the Loan Agreement that the Grantor shall have executed and delivered this Agreement in favor of and for the benefit of the Agent.

NOW, THEREFORE, in consideration of the promises contained herein and to induce the Lenders to enter into the Loan Agreement and to make Loans to, and to provide for the issuance of Letters of Credit for the account of, the Borrowers thereunder, the Grantor hereby agrees as follows:

AGREEMENT

SECTION 1. Security for Obligations.

(a) Security Interest in Patents. To secure the full and prompt payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all of the Obligations, the Grantor hereby grants and conveys to the Agent, for the ratable benefit of the Lenders, a valid security interest in all of its right, title and interest in the United States and throughout the world in, to and under all of the now owned and hereafter acquired United States

and foreign patents and all patent and design patent applications, and all issues, reissues, re-examinations, continuations, continuations-in-part or divisions thereof, and all proceeds thereof (hereinafter collectively referred to as the "Patents"). All unexpired patents and all currently pending patent applications in which the Grantor has an ownership interest are listed on Schedule A. The Grantor hereby further grants, assigns and conveys to the Agent, for the ratable benefit of the Lenders, a valid security interest, having priority over all other security interests (other than Permitted Liens), in all of the right, title and interest of the Grantor in and to all proceeds, income, royalties, damages and payments now or hereafter due and payable under or in respect of all Patents and in and to all rights during the term of this Agreement to sue, collect and retain damages and payments for past or future infringements of the Patents.

(b) Security Interest in Trademarks. To secure the full and prompt payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all of the Obligations, the Grantor hereby grants and conveys to the Agent, for the ratable benefit of the Lenders, a valid security interest in all of its right, title and interest in the United States and throughout the world in, to and under all of its now owned and hereafter acquired trademarks, service marks and trade names, and all similar designations of source or origin (whether or not such name is the subject of a registration or an application therefor), and all registrations and applications to register the same (other than applications based on intent to use where no affidavit of use has yet been filed), and all renewals thereof, and the goodwill of the business relating thereto, and all proceeds thereof (hereinafter collectively referred to as the "Trademarks"). All trademark registrations and all currently pending trademark applications in which the Grantor has an ownership interest and all foreign trademark registrations and all currently pending trademark applications in which the Grantor has an ownership interest, are listed on Schedule B. The Grantor hereby further grants to the Agent, for the ratable benefit of the Lenders, a valid security interest in all of its right, title and interest in and to (i) all proceeds, income, royalties, damages and payments now and hereafter due and payable under or in respect of all Trademarks, (ii) all rights during the term of this Agreement to sue, collect and retain for the Agent's benefit damages and payments for past or future infringements of the Trademarks and (iii) all rights under or ownership interest in any trademark license agreements or service mark license agreements with any other party, whether the Grantor is a licensee or licensor under any such license agreement, except such license agreements for which consent is required from a third party to grant such security interest and which has not been obtained, copies of which license agreements will be furnished by the Grantor to the Agent upon the Agent's request.

(c) Security Interest in Copyrights. To secure the full and prompt payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all of the Obligations, the Grantor hereby grants to the Agent, for the ratable benefit of the Lenders, a valid security interest in all of its right, title and interest in the United States and throughout the world in, to and under all of its now owned and hereafter acquired copyrights, and all registrations and applications to register the same, all renewals thereof, any written agreement, naming the Grantor as licensor or licensee, granting any right under any copyright, any work which is or may be subject to copyright protection pursuant to Title 17 of the U.S. Code, and all physical things embodying such works (including, without limitation, copies thereof) created or otherwise used in the business of the Grantor, and all proceeds thereof (hereinafter collectively

referred to as the "Copyrights"). All copyright registrations and all currently pending copyright applications in which the Grantor has an ownership interest are listed on Schedule C. The Grantor hereby further grants to the Agent for the ratable benefit of the Lenders a valid security interest in all of its right, title and interest in and to all proceeds, income, royalties, damages and payments now and hereafter due and payable under or in respect of all Copyrights and in and to all rights during the term of this Agreement to sue, collect and retain for the Grantor's benefit damages and payments for past or future infringements of the Copyrights.

(d) Security Interest in Proprietary Information. To secure the full and prompt payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all of the Obligations, the Grantor hereby grants to the Agent, for the ratable benefit of the Lenders, a valid security interest in all of its right, title and interest in the United States and throughout the world in, to and under all of its now owned and hereafter acquired inventions, discoveries, trade secrets, improvements, processes, methods, formulae, applications, ideas, know-how, customer lists, corporate and other business records, license rights, advertising materials, operating manuals, sales literature, drawings, specifications, descriptions, name plates, catalogues, dealer contracts, supplier contracts, distributor agreements, confidential information, consulting agreements, engineering contracts, proprietary information, and goodwill (and all other assets which uniquely reflect such goodwill), and to all income, royalties, damages and payments now and hereafter due or payable therefor or in respect thereof and all proceeds thereof (collectively, the "Proprietary Information" and, together with the Patents, the Trademarks, the Copyrights and all other assets described above, the "Intellectual Property Collateral").

(e) Certain Exclusions from Grant of Security Interests. Anything in this Agreement to the contrary notwithstanding, the foregoing grant, assignment, transfer, and conveyance of security interests shall not extend to, and the term "Copyrights" shall not include, any item of Copyrights described in Section 1(c) above that is now or hereafter held by the Grantor as licensee or otherwise, solely in the event and to the extent that: (i) as the proximate result of the foregoing grant, assignment, transfer, or conveyance of security interests, the Grantor's rights in or with respect to such item of Copyrights would be forfeited or would become void, voidable, terminable, or revocable, or if the Grantor would be deemed to have breached, violated, or defaulted the underlying license or other agreement that governs such item of Copyrights pursuant to the restrictions in the underlying license or other agreement that governs such item of Copyrights; (ii) any such restriction shall be effective and enforceable under applicable law, including Section 9-406(d) of the Code; and (iii) any such forfeiture, voidness, voidability, terminability, revocability, breach, violation, or default cannot be remedied or prevented by the Grantor using its reasonable efforts (but without any obligation to make any material expenditures of money or to commence legal proceedings); provided, however, that the foregoing grant, assignment, transfer, and conveyance of security interests shall extend to, and the term "Copyrights" shall include, (A) any and all proceeds of such item of Copyrights and (B) upon any such licensor's or other applicable party's consent with respect to any such otherwise excluded item of Copyrights being obtained, thereafter such item of Copyrights as well as any proceeds thereof that might theretofore have been excluded from such grant, assignment, transfer, and conveyance of security interests.

SECTION 2. Representations, Warranties and Covenants of the Grantor.

(a) The Grantor is and will continue to be the owner of all of the Intellectual Property Collateral, free from any adverse claim, security interest, lien or encumbrance in favor of any Person except for the security interest granted under the Loan Documents, Permitted Liens and where the failure to do so could have a Material Adverse Effect.

(b) None of the Intellectual Property Collateral is or shall become subject to any lien, security interest or other encumbrance in favor of any Person other than the Lien of the Agent and Permitted Liens, and the Grantor agrees not to license, transfer, convey or encumber any interest in or to its Intellectual Property Collateral except to the Borrowers pursuant to the License Agreement, to Glatfelter pursuant to the License and Cross License Agreement dated as of August 9, 2001 between Glatfelter and the Grantor and as permitted by the Loan Agreement. Notwithstanding the foregoing, the Grantor shall be permitted to license (on a non-exclusive basis) any of its Trademarks in the ordinary course of business to (i) third parties for the sole purpose of manufacturing, marketing, advertising, distributing or selling goods or (ii) third parties that do not manufacture, market, advertise, distribute, or sell goods in the United States or to others for sale in the United States. Any license of the Intellectual Property Collateral granted by the Grantor after the effective date of the Loan Agreement (each, a "License") shall be in writing and shall not prohibit the Grantor from assigning, transferring, selling, sublicensing or otherwise disposing of all or any of its right, title and interest thereunder to the Agent or its designees in accordance with Section 4 hereof.

(c) The Grantor has made no previous assignment, transfer or agreement in conflict herewith or constituting a present or future assignment, transfer, or encumbrance of any of its Intellectual Property Collateral.

(d) There is no financing statement or other document or instrument now signed or on file in any public office granting a security interest in or otherwise encumbering any part of the Intellectual Property Collateral, except those showing the Agent as secured party. So long as any Obligations or Letters of Credit remain outstanding or any commitments remain in effect, the Grantor will not execute, and there will not be on file in any public office, any such financing statement or other document or instruments, except financing statements filed or to be filed in favor of the Agent and except for the grant of any license.

(e) Subject to any limitation stated therein or in connection therewith, all information furnished to the Agent concerning the Intellectual Property Collateral and proceeds thereof is and will be accurate and correct in all material respects.

(f) All Intellectual Property Collateral consisting of applications for Patents and for registrations of Trademarks and Copyrights has been duly and properly filed and all Intellectual Property Collateral consisting of issued or granted Patents and of registrations of Trademarks and Copyrights (including, without limitation, any and all renewals, reissues, continuations or divisions thereof, as the case may be) has been duly and properly maintained,

except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(g) During the term of this Agreement, the Grantor shall quarterly, or more frequently as the Agent shall request, provide written notice to the Agent identifying: (i) all United States patent applications filed by it or patents issued to it or acquired by it during the prior calendar quarter or preceding period, as the case may be, (ii) all trademark applications filed by it or trademark registrations issued to it or acquired by it during the prior calendar quarter or preceding period, as the case may be, and (iii) all United States copyright applications filed by it or copyright registrations issued to it or acquired by it during the prior calendar quarter or preceding period, as the case may be. The Grantor authorizes the Agent to take all actions necessary or appropriate to perfect a security interest in such future Patents, Trademarks or Copyrights including, without limitation, unilaterally amending Schedule A, B or C to include such future Patents, Trademarks or Copyrights. The Grantor shall, at the Agent's request, execute and deliver to the Agent any documentation as may reasonably be required to perfect such security interest in such future Patents, Trademarks or Copyrights.

(h) The Grantor shall not take any action, or permit any action to be taken by others subject to the Grantor's control, including any licensees, or fail to take any action, or permit others subject to the Grantor's control, including any licensees, to fail to take any action, subject to the provisions of Section 2(g), which would, in the case of any such actions or failures to act taken singly or together, adversely affect the validity, grant or enforceability of the security interest granted to the Agent herein.

(i) The Grantor shall promptly notify the Agent, in writing, of any suit, action, proceeding, claim or counterclaim brought against the Grantor that could reasonably be expected to materially affect adversely the Intellectual Property Collateral, and shall, on request, deliver to the Agent a copy of all pleadings, papers, orders or decrees theretofore and thereafter filed in any such suit, action or proceeding, and shall keep the Agent duly advised in writing of the progress of any such suit.

(j) If requested by the Agent, the Grantor shall provide the Agent with a complete report with respect to its Intellectual Property Collateral and all licenses thereof granted by the Grantor. Upon request by the Agent, the Grantor shall deliver to counsel for the Agent copies of any such Intellectual Property Collateral and other documents concerned with or related to the prosecution, protection, maintenance, enforcement and issuance of the Intellectual Property Collateral.

(k) The Grantor shall notify the Agent in writing at its address and in the manner set forth in Section 15 of the Pledge Agreement of at least thirty days prior to any proposed voluntary abandonment of any of its Intellectual Property Collateral and obtain the prior written consent of the Agent thereto, provided that the Agent's consent shall not be required where such abandonment could not reasonably be expected to have a Material Adverse Effect.

(l) During the term of this Agreement, the Grantor agrees:

(i) whenever any of the registered Trademarks is used by or on behalf of the Grantor, if practicable and to the extent consistent with past practice, to affix or cause to be affixed a notice that the mark is a registered trademark or service mark, which notice shall be in a form accepted or required by the trademark marking laws of each country in which the mark is so used and registered; and

(ii) whenever any of the underlying works covered by registered Copyrights is published or distributed by or on behalf of the Grantor (only to the extent required under the laws of the relevant countries, jurisdictions, territories, or international accords) to affix or cause to be affixed a notice that such underlying works are so covered, which notice shall be in a form accepted or required by the copyright laws of such country in which such underlying works are so published or distributed and registered.

(m) Subject to the provisions of Section 4(g), all income, royalties, payments and damages due and payable to the Grantor under or in respect of the Intellectual Property Collateral shall be paid to the Grantor.

(n) The Grantor agrees, upon the request by the Agent, during the term of this Agreement:

(i) to execute, acknowledge and deliver all additional instruments and documents reasonably necessary to effect the purposes and intents of this Agreement, in a form reasonably acceptable to counsel for the Agent; and

(ii) to do all such other acts as may be necessary to carry out the purposes and intents of this Agreement, and to create, evidence, perfect (except to the extent not perfectible by using commercially reasonable efforts pursuant to the laws of the relevant country, jurisdiction or territory) and continue the security interests of the Agent in its Intellectual Property Collateral.

Without limiting the generality of the foregoing, the Grantor:

(A) authorizes the Agent, in the Agent's sole discretion, to modify this Agreement without first obtaining the Grantor's approval or signature to such modification by amending Schedule A, B or C hereto to include a reference to any right, title or interest in any existing Copyright, Patent or Trademark acquired or developed by the Grantor after the execution hereof, or to delete any reference to any right, title or interest in any Copyright, Patent or Trademark in which the Grantor no longer has or claims any right, title or interest; and

(B) hereby authorizes the Agent, in the Agent's sole discretion, to file one or more financing or continuation statements or other notices of security interest, and amendments thereto, relative to all or any portion of

the Intellectual Property Collateral without the signature of the Grantor where permitted by law.

(o) The Grantor represents and warrants to the Agent that:

(i) the security interests granted to the Agent hereunder in United States patents and patent applications (the "U.S. Patents") and in the United States trademark registrations and applications (the "U.S. Trademarks"), upon the filing of appropriate filings with the United States Patent and Trademark Office (the "PTO") and appropriate financing statements under the Code, shall constitute first priority, perfected security interests in the U.S. Patents and U.S. Trademarks; provided, however, that recordation, filing or registration of such security interests may be required to perfect such security interest in U.S. Patents and U.S. Trademarks acquired by the Grantor after the date hereof;

(ii) the security interest granted to the Agent hereunder in the registered Copyrights and Copyright applications (the "U.S. Copyrights"), upon the filing of appropriate filings with the United States Copyright Office and appropriate financing statements under the Code, shall constitute a first priority, perfected security interest in the U.S. Copyrights; provided, however, that recordation, filing or registration of such security interest may be required to perfect such security interest in U.S. Copyrights acquired by the Grantor after the date hereof; and

(iii) the security interest granted to the Agent hereunder in the Proprietary Information located in the United States, upon the filing of any appropriate filings with the PTO or United States Copyright Office and appropriate financing statements under the Code, shall constitute a first priority, perfected security interest in such Proprietary Information, to the extent that a first security interest can be created through such filings; provided, however, that recordation, filing or registration of such security interest may be required to perfect such security interest in the Proprietary Information acquired by the Grantor after the date hereof.

SECTION 3. Indemnity. The Grantor agrees to indemnify the Agent from and against any and all claims, losses and liabilities arising out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement and any actions taken pursuant to Section 4 or any failure to act thereunder), except for claims, losses or liabilities resulting from the gross negligence or willful misconduct of the Agent.

SECTION 4. Rights and Remedies Upon an Event of Default.

(a) If any Event of Default shall have occurred and be continuing, then and in every such case, the Agent, in addition to other rights and remedies provided for herein

and any rights now or hereafter existing under applicable law, shall have all rights and remedies as a secured creditor under the Code in all relevant jurisdictions and may:

(i) personally, or by agents or attorneys, immediately take possession of the Intellectual Property Collateral or any part thereof, from the Grantor or any other Person who then has possession of any part thereof, with or without notice or process of law, and for that purpose may enter upon the Grantor's premises where any of the Intellectual Property Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of the Grantor;

(ii) sell, assign or otherwise liquidate, or direct the Grantor to sell, assign or otherwise liquidate, any or all of the Intellectual Property Collateral or any part thereof, and take possession of the proceeds of any such sale, assignment or liquidation;

(b) Any collateral repossessed by the Agent under or pursuant to Section 4(a) and any other Intellectual Property Collateral whether or not so repossessed by the Agent may be sold, assigned, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the Agent may determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than ten days' written notice to the Grantor. Any such disposition which shall be a public sale permitted by such requirements shall be made upon not less than ten days' written notice to the Grantor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at the option of the Agent, be subject to reserve), after publication of notice of such auction not less than ten days prior thereto in two newspapers in general circulation in the jurisdiction in which such auction is to be held. To the extent permitted by any such requirement of law, the Agent may bid for and become the purchaser of the Intellectual Property Collateral or any item thereof offered for sale in accordance with this Section without accountability to the Grantor (except to the extent of surplus money received). If the Agent shall be required to make disposition of the Intellectual Property Collateral within a period of time which does not permit the giving of notice to the Grantor as hereinabove specified, the Agent need give the Grantor only such notice of disposition as shall be reasonably practicable. The Agent shall not be obligated to make any sale of Intellectual Property Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(c) Upon the occurrence and during the continuance of an Event of Default, the Agent shall have the right at any time to make any payments and do any other acts the Agent may deem necessary to protect its security interests in the Intellectual Property Collateral, including, without limitation, the rights to pay, purchase, contest or compromise any

Lien which appears to be prior to or superior to the security interests granted hereunder, and appear in and defend any action or proceeding purporting to affect its security interests in, or the value of, the Intellectual Property Collateral. The Grantor hereby agrees to reimburse the Agent for all payments made and expenses incurred under this subsection (c) including reasonable fees, expenses and disbursements of attorneys and paralegals acting for the Agent, including any of the foregoing payments under, or acts taken to protect its security interests in, the Intellectual Property Collateral, which amounts shall be secured under this Agreement, and agrees that it shall be bound by any payment made or act taken by the Agent hereunder absent the Agent's gross negligence or willful misconduct. The Agent shall have no obligation to make any of the foregoing payments or perform any of the foregoing acts.

(d) The Grantor hereby irrevocably authorizes and appoints the Agent, or any Person or agent the Agent may designate, as the Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor or otherwise, at the Grantor's cost and expense, in the Agent's discretion, to, upon the occurrence and during the continuance of an Event of Default, take any action and to execute any instrument that the Agent may deem necessary to accomplish the purposes and intents of this Agreement and to exercise all of the following powers, which powers, being coupled with an interest, shall be irrevocable until all of the Obligations shall have been indefeasibly paid and satisfied in full:

(i) ask for, demand, collect, bring suit, recover, compromise, administer, accelerate or extend the time of payment, issue credits, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Intellectual Property Collateral;

(ii) receive, take, endorse, negotiate, sign, assign and deliver and collect any checks, notes, drafts or other instruments, documents and chattel paper, in connection with clause (i) above;

(iii) receive, open and dispose of all mail addressed to the Grantor and notify postal authorities to change the address for delivery thereof to such address as the Agent may designate;

(iv) give customers indebted on the Intellectual Property Collateral of the Grantor notice of the Agent's interest therein, instruct such customers to make payment directly to the Agent for the Grantor's account or request, at any time from customers indebted on the Intellectual Property Collateral, verification of information concerning the Intellectual Property Collateral and the amounts owing thereon;

(v) convey any item of Intellectual Property Collateral to any purchaser thereof;

(vi) record any instruments under Section 2(g);

(vii) make any payments or take any acts under Section 4(c); and

(viii) file any claims or take any action or institute any proceedings that the Agent may deem necessary for the collection of any of the Intellectual Property Collateral or otherwise to enforce the rights of the Agent with respect to any of the Intellectual Property Collateral.

The Agent's authority under this Section shall include, without limitation, the authority to execute and give receipt for any certificate of ownership or any document, transfer title to any item of Intellectual Property Collateral, sign the Grantor's name on or any documents necessary to preserve, protect or perfect the security interest in the Intellectual Property Collateral and to file the same, prepare, file and sign the Grantor's name on any notice of lien, assignment or satisfaction of lien or similar document in connection with any Intellectual Property Collateral and prepare, file and sign the Grantor's name on a proof of claim in bankruptcy or similar document against any obligor of the Grantor, and to take any other actions arising from or incident to the rights, powers and remedies granted to the Agent in this Agreement. This power of attorney is coupled with an interest and is irrevocable by the Grantor.

(e) All cash proceeds received by the Agent in respect of any sale of, collection from, or other realization upon all or any part of the Intellectual Property Collateral shall be applied by the Agent against the Obligations in such order as the Agent may determine.

(f) Upon the occurrence and during the continuance of an Event of Default, all income, royalties, payments and damages under or in respect of the Intellectual Property Collateral, if any, received thereafter shall be held by the Grantor in trust for the benefit of the Agent, separate from the Grantor's own property or funds and immediately turned over to the Agent with proper assignments or endorsements. Upon the occurrence and during the continuance of an Event of Default, the Agent shall have the right to notify payors of income, royalties, payments and damages under or in respect of the Intellectual Property Collateral to make payment directly to the Agent.

(g) Each and every right, power and remedy hereby specifically given to the Agent shall be in addition to every other right, power and remedy specifically given under this Agreement or under the other Loan Documents or now or hereafter existing at law or in equity, or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of the exercise of one shall not be deemed a waiver of the right to exercise any other right, power or remedy. No delay or omission of the Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Default or Event of Default or any acquiescence therein.

SECTION 5. Miscellaneous Provisions.

(a) Notices. All notices and other communications hereunder shall be in writing and given in the manner and at the address set forth in Section 15 of the Pledge Agreement.

(b) Headings. The headings in this Agreement are for purposes of reference only and shall not affect the meaning or construction of any provision of this Agreement.

(c) Severability. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect, in that jurisdiction only, such clause or provision, or part thereof, and shall not in any manner affect such clause or provision in any other jurisdiction or any other clause or provision of this Agreement in any jurisdiction.

(d) Amendments, Waivers and Consents. Any amendment or waiver of any provision of this Agreement and any consent to any departure by the Grantor from any provision of this Agreement shall not be effective unless the same shall be in writing and signed by the Grantor and the Agent and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(e) Interpretation. Time is of the essence in each provision of this Agreement of which time is an element. All terms not defined herein or in the Loan Agreement shall have the meaning set forth in the Code, except where the context otherwise requires. To the extent a term or provision of this Agreement conflicts with the Loan Agreement and is not dealt with herein with more specificity, the Loan Agreement shall control with respect to the subject matter of such term or provision. Acceptance of or acquiescence in a course of performance rendered under this Agreement shall not be relevant in determining the meaning of this Agreement even though the accepting or acquiescing party had knowledge of the nature of the performance and opportunity for objection.

(f) Continuing Security Interest. This Agreement shall create a continuing security interest in the Intellectual Property Collateral and shall (i) remain in full force and effect until the indefeasible payment in full in cash of the Obligations and the termination of the Commitments and all outstanding Letters of Credit, (ii) be binding upon the Grantor and its successors and assigns and (iii) inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent (for the ratable benefit of the Lenders) and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), the Agent may, in accordance with the terms of the Loan Agreement, assign or otherwise transfer all or any portion of its rights and obligations under this Agreement to any other Person that is a successor to the Agent under the Loan Agreement, and such other Person shall thereupon become vested

with all the benefits in respect thereof granted to the Agent herein or otherwise, in each case as provided in the Loan Agreement.

(g) Reinstatement. To the extent permitted by law, this Agreement shall continue to be effective or be reinstated if at any time any amount received by the Agent or any Lender in respect of the Obligations is rescinded or must otherwise be restored or returned by the Agent or any Lender upon the occurrence or during the pendency of any bankruptcy, reorganization or other similar proceeding applicable to the Grantor, or upon or during the occurrence of any dissolution, liquidation or winding up of the Grantor, all as though such payments had not been made.

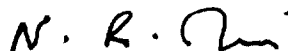
(h) Survival of Provisions. All representations, warranties and covenants of the Grantor contained herein shall terminate only upon the full and final payment and performance of the Obligations secured hereby and termination of the Commitments.

(i) Agent May Perform. If the Grantor fails to perform any agreement contained herein, the Agent may itself perform, or cause performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by the Grantor and shall constitute Obligations secured by this Agreement.

(j) GOVERNING LAW. THE VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS, WITHOUT GIVING EFFECT TO CONFLICT OF LAW PRINCIPLES, EXCEPT TO THE EXTENT THAT FEDERAL LAW IS APPLICABLE.

IN WITNESS WHEREOF, the Grantor has caused this Agreement to be executed by its duly authorized officer as of the day and year first above written.

RF & SON INC.



By: _____

Nathu R. Puri
Vice President

Patents

Intellectual Property**U.S. PATENT APPLICATIONS**

No. 60/225,265. Formulation for Achievement of Oil and Grease Resistance Without the Use of Fluorochemicals and Method of Making Same. Filing date – August 15, 2000.

No. 09/760,175. Novel Materials and method of Making Same for Low Ignition Propensity Products. Filing Date – January 15, 2001.

U.S. PATENTS

NO.	ISSUE DATE AND EXPIRATION DATE	TITLE
5,385,158	01/31/1995 (The term of this patent shall not extend beyond the expiration date of Pat. No. 5,108,782, i.e., expires 05/18/2010)	WRAPPER FOR SMOKING ARTICLE, SMOKING ARTICLE, AND METHOD OF MAKING SAME
5,253,660	10/19/1993 (expires 04/24/2012)	REDUCED SIDESTREAM SMOKE SMOKING ARTICLE WRAPPERS, METHODS OF MAKING SUCH WRAPPERS AND SMOKING ARTICLES MADE FROM SUCH WRAPPERS
5,247,950	09/28/1993 (expires 07/02/2011)	CONTROL OF STATIC BURNING RATE BY USE OF BINARY BURNING CHEMICAL COMBINATIONS
5,228,464	07/20/1993 (expires 02/19/2011)	WRAPPER FOR SMOKING ARTICLE, SMOKING ARTICLE, AND METHOD OF MAKING SAME, CASE VIII

5,161,550	11/10/1992 (expires 09/09/2011)	WRAPPERS FOR SMOKING ARTICLES, METHODS OF MAKING SUCH WRAPPERS AND SMOKING ARTICLES MADE FROM SUCH WRAPPERS – CASE V
5,154,191	10/13/1992 (expires 04/26/2010)	WRAPPERS FOR SMOKING ARTICLES, METHODS OF MAKING SUCH WRAPPERS AND SMOKING ARTICLES MADE FROM SUCH WRAPPERS – CASE I
4,881,557	11/21/1989 (expires 04/20/2008)	SMOKING ARTICLE WRAPPER AND METHOD OF MAKING SAME
4,804,002	02/14/1989 (expires 05/29/2007)	TOBACCO PRODUCT CONTAINING SIDE STREAM SMOKE FLAVORANT
4,450,847	05/29/1984 (expires 04/07/2002)	WRAPPER FOR SMOKING ARTICLES AND METHOD

FOREIGN PATENTS

COUNTRY	NO.	ISSUE DATE	EXPIRATION DATE	TITLE
CANADA	1183055	02/26/1985	02/26/2002	WRAPPER FOR SMOKING ARTICLES AND METHOD (corresponds to US PAT NO 4,420,002)
CANADA	1182369	02/12/1985	02/12/2002	WRAPPER FOR SMOKING ARTICLES AND METHOD (corresponds to US PAT NO 4,433,697)

CANADA	1180968	01/15/1985	01/15/2002	WRAPPER FOR SMOKING ARTICLES AND METHOD (corresponds to US PAT NO 4,450,847)
GERMANY	3247365	06/14/1988	06/14/2005	WRAPPER FOR SMOKING ARTICLES AND METHOD . (corresponds to US PAT NO 4,450,847)
GR. BRITAIN	2118986	06/05/1985	02/17/2005	WRAPPER FOR SMOKING ARTICLES AND METHOD . (corresponds to US PAT NO 4,450,847)

Trademarks

U.S. TRADEMARK REGISTRATIONS

MARK	NO.	ISSUE DATE	EXPIRATION/ RENEWAL DATE
NYACOTE	1,756,127	03/02/1993	03/02/2003
NYALITE	0,998,980	11/26/1974	11/26/2004
E ECUSTA (Stylized)	0,683,504	08/18/1959	08/18/2009
ECUSTA	0,683,291	08/11/1959	08/11/2009
WAYLITE	0,725,638	12/26/1961	12/26/2001
ECUSTA	0,389,262	07/29/1941	07/29/2011
EBCO	0,145,352	08/02/1921	08/02/2001

FOREIGN TRADEMARK REGISTRATIONS

MARK	COUNTRY	NO.	ISSUE DATE	EXPIRATION/ RENEWAL DATE
ECUSTA	Canada	NS62/16 308	05/20/19 42	03/28/2002
ECUSTA (in Chinese characters)	China	1,048,9 60	07/07/19 97	Expires 07/06/2007
ECUSTA (in Chinese characters)	China	1,063,0 22	07/28/19 97	Expires 07/27/2007
ECUSTA	China	1,045,0 32	07/07/19 97	Expires 07/06/2007
ECUSTA	China	1,030,8 53	06/14/19 97	Expires 06/13/2007
E, ECUSTA	European Community	307,68 6	11/10/19 98	Expires 07/05/2006
ECUSTA (in Chinese characters)	Hong Kong	07384/ 1999	03/20/19 96	Expires 03/20/2003

ECUSTA	Hong Kong	02137/ 1997	01/22/19 96	Expires 01/22/2003
ECUSTA	Hong Kong	02138/ 1997	01/22/19 96	Expires 01/22/2003

Schedule C

Copyright Registrations

None.