

07-10-2002

Form **PTO-1594**
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)



T U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

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

1. Name of conveying party(ies):
Hartstrings I, LLC

07/02/02

- 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 Change of Address
- Merger
- Change of Name

Execution date: May 20, 2002

2. Name and address of receiving party(ies):

Name: American Capital Financial Services, Inc. as "Agent"

Internal Address: _____

Street Address: 2 Metro Center, Suite 1400

City: Bethesda State: MD Zip: 20814

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

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

FINANCE SECTION
JUL 2 11 07

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

A. Trademark Application No.(s)

See Schedule I

B. Trademark Registration No.(s)

See Schedule I

Additional number(s) attached Yes No

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

Name: Eric Brotman

Internal Address: Weil, Gotshal & Manges LLP

Street Address: 767 5th Avenue

City: New York State: NY Zip: 10153

6. Total number of applications and registrations involved: 4

7. Total fee (37 CFR 3.41): \$ 115.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number: 23-0800

(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.

Phyllis Eremitaggio

Name of Person Signing

Phyllis Eremitaggio

Signature

July 2, 2002

Date

Total number of pages including cover sheet, attachments, and document: 8

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231

07/09/2002 DBYRNE 00000115 230800 2125126

01 FC:481 40.00 CH
02 FC:482 75.00 CH

SCHEDULE I

U.S. Registered Trademarks

Reg. No.	Mark	Filing Date	Issued Date
2,125,126	K.C. PARKER	Aug. 14, 1996	April 1, 1997
1,944,092	HARTSTRINGS BABY	Jan. 18, 1995	Oct. 3, 1995
1,718,077	HARTSTRINGS	Dec. 12, 1989	June 30, 1992
1,417,505	KITESTRINGS	Nov. 12, 1985	Aug. 26, 1986

TRADEMARK SECURITY AGREEMENT

TRADEMARK SECURITY AGREEMENT, dated as of May 20, 2002, by Hartstrings I, LLC (the "*Grantor*"), in favor of American Capital Financial Services, Inc. ("*ACFS*"), as agent for the Purchasers (as defined in the Purchase Agreement referred to below) (in such capacity, the "*Agent*").

WITNESSETH:

WHEREAS, pursuant to the Credit and Note and Equity Purchase Agreement, dated as of May 20, 2002 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "*Purchase Agreement*") among the Grantor, Hartstrings Nevis, LLC, the Purchasers party thereto and ACFS, as agent for the Purchasers, the Purchasers have severally agreed to purchase certain Notes upon the terms and subject to the conditions set forth therein; and

WHEREAS, the Grantor is party to a Security Agreement of even date herewith in favor of the Agent (the "*Security Agreement*") and the Grantor is required to execute and deliver this Trademark Security Agreement pursuant to the Security Agreement and the Purchase Agreement;

NOW, THEREFORE, in consideration of the premises and to induce the Purchasers and the Agent to enter into the Purchase Agreement and to induce the Purchasers to purchase the Notes thereunder, the Grantor hereby agrees with the Agent as follows:

SECTION 1. **Defined Terms.** Unless otherwise defined herein, terms defined in the Purchase Agreement or in the Security Agreement and used herein have the meaning given to them in the Purchase Agreement or the Security Agreement.

SECTION 2. **Grant of Security Interest in Trademark Collateral** The Grantor, as collateral security for the full, prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Obligations (as defined in the Security Agreement) of the Grantor, hereby collaterally assigns, conveys, mortgages, pledges, hypothecates and transfers to the Agent for the benefit of the Purchasers, and grants to the Agent for the benefit of the Purchasers a lien on and security interest in, all of its right, title and interest in, to and under the following Collateral of the Grantor (the "*Trademark Collateral*"):

(a) all of its Trademarks and Trademark Licenses to which it is a party, including those referred to on *Schedule I* hereto;

(b) all reissues, continuations or extensions of the foregoing;

(c) all goodwill of the business connected with the use of, and symbolized by, each Trademark and each Trademark License; and

(d) all proceeds of the foregoing, including any claim by the Grantor against third parties for past, present, future (i) infringement or dilution of any Trademark or Trademark licensed under any Trademark License or (ii) injury to the goodwill associated with any Trademark or any Trademark licensed under any Trademark License.

As used herein, the following terms shall have the following meanings:

“*Trademark*” means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common-law rights related thereto, and (b) the right to obtain all renewals thereof.

“*Trademark License*” means any agreement, whether written or oral, providing for the grant by or to the Grantor of any right to use any Trademark.

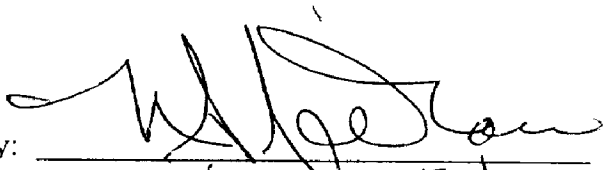
SECTION 3. **Security Agreement.** The security interest granted pursuant to this Trademark Security Agreement is granted in conjunction with the security interest granted to the Agent pursuant to the Security Agreement and the Grantor hereby acknowledges and affirms that the rights and remedies of the Agent with respect to the security interest in the Trademark Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

[signature page follows]

IN WITNESS WHEREOF, the Grantor has caused this Trademark Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.


Very truly yours,

HARTSTRINGS I, LLC

By: 
Name: NICHOLAS J. DEMARCO
Title: CHAIRMAN & CEO

Accepted and Agreed:

AMERICAN CAPITAL FINANCIAL SERVICES, INC.,
as Agent

By: 
Kenneth E. Jones
Vice President

