

09-20-2002

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

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

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

1. Name of conveying party(ies): Sponge-Cushion, Inc. 6.12.02
Individual(s) Association
General Partnership Limited Partnership
Corporation-State
Other
Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)
Name: Governor and Company of the Internal Bank of Scotland, The
Address: Victoria Square House
Street Address: Victoria Square
City: Birmingham, England State: B2 4DL
Individual(s) citizenship
Association
General Partnership
Limited Partnership
Corporation-State
Other banking association
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

3. Nature of conveyance:
Assignment Merger
Security Agreement Change of Name
Other
Execution Date: May 15, 2002

4. Application number(s) or registration number(s):
A. Trademark Application No.(s)
B. Trademark Registration No.(s) 1524681 1539421 1579162 1579154
Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:
Name: Charles B. Lee, Jr., Esq.
Internal Address: Parker Poe Adams & Bernstein L.L.P.
Suite 3000
Street Address: 401 South Tryon Street
City: Charlotte State: NC Zip: 28202

6. Total number of applications and registrations involved: 6
7. Total fee (37 CFR 3.41): \$ 165.00
Enclosed
Authorized to be charged to deposit account
8. Deposit account number:
(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.
To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.
Please see attached signature page
Name of Person Signing Signature Date
Total number of pages including cover sheet, attachments, and document: 33

06/19/2002 JJALLAME 00000001 1524681

01 FC:481 40.00 OP
02 FC:482 125.00 OP

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

TRADEMARK REEL: 002585 FRAME: 0868

Recordation Form Cover Sheet - Trademarks Only

Continuation of Question No. 2 - Domestic Representative Name and Address:

Charles B. Lee, Jr., Esq.
Parker Poe Adams & Bernstein L.L.P.
Suite 3000
401 South Tryon Street
Charlotte, North Carolina 28202

Recordation Form Cover Sheet - Trademarks Only

Continuation of Question No. 4 - Application number(s) or registration number(s):

1761496

2231764

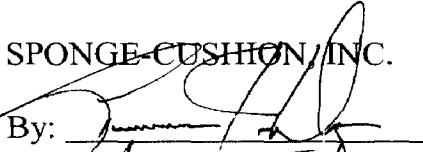
SIGNATURE PAGE

to

Recordation From Cover Sheet

TRADEMARKS ONLY

SPONGE CUSHION, INC.

By: 

Name Lester T. Dwan

Title _____

Date: May 15, 2002

617275-1

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of May 15th, 2002 (this "Agreement"), is made by and between SPONGE-CUSHION, INC., an Illinois corporation (the "Grantor"), and THE GOVERNOR AND COMPANY OF THE BANK OF SCOTLAND, a banking association chartered under the laws of Scotland in its capacity as Security Trustee (in such capacity, the "Security Trustee") for the benefit of the Security Beneficiaries under that certain Intercreditor Deed (as later defined).

Statement of Purpose

The Governor and Company of the Bank of Scotland (as Senior Agent, Security Trustee, Ancillary Bank, Hedging Bank, Mezzanine Agent, and Original Mezzanine Lender), the Term Banks, the RCF Banks, the Subordinated Loan Noteholders, the Shareholders and the Original Obligors (all as defined therein) have entered into that certain Intercreditor Deed dated as of even date (the "Intercreditor Deed"). The Senior Documents and the Mezzanine Documents are referred to, collectively and individually, as the "Facility Documents". Unless defined herein to the contrary, all capitalized terms shall have the meaning ascribed to such terms in the Intercreditor Deed. In order to induce the Agent, the Banks and the other entities party thereto to enter into the Facility Documents, the Grantor has agreed to grant to the Security Trustee a security interest in the Collateral (as later defined).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto hereby agree as follows:

SECTION 1. Definitions. Unless the context otherwise requires, all capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Facility Documents. For purposes of this Agreement, the following terms shall have the following meanings (all terms defined in this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"Account Debtor" means any Person who is or may become obligated to the Grantor under, with respect to, or on account of, an Account.

"Accounts" means all "accounts" (as defined in the UCC) now or hereafter owned or acquired by the Grantor or in which the Grantor now or hereafter has or acquires any right or interest, and, in any event, shall also include, without limitation, all accounts receivable, all management and similar fees payable to the Grantor, contract rights, book debts, notes, drafts and other obligations or indebtedness owing to the Grantor arising from the sale, lease, consignment or exchange of goods or other property by it or property to be sold, leased, consigned or exchanged, or the performance of services by it, or to be performed, and all of the Grantor's rights to any goods, services or other property represented by any of the foregoing (including returned or repossessed goods and unpaid sellers' rights of rescission, replevin, reclamation and rights to stoppage in transit) and all monies due to or to become due to the Grantor under all contracts for the sale, lease, consignment or exchange of goods or other

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property or the performance of services by it (whether or not yet earned by performance on the part of the Grantor), in each case whether now in existence or hereafter arising or acquired, including, without limitation, the right to receive the proceeds of such contracts and all collateral security and guarantees of any kind given by any Person with respect to any of the foregoing.

“Applicable Law” means any statute, law, regulation, ordinance, rule, judgment, order, decree, permit, approval, confession, grant, franchise, license, agreement, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by any Governmental Authority, whether now or hereafter in effect with respect to the Grantor for any property of the Grantor.

“Collateral” shall have the meaning given thereto in Section 2(b).

“Collateral Account” means a cash collateral account established by the Grantor with a depository institution in the name and under the exclusive dominion and control of the Security Trustee, pursuant to Section 6 hereof.

“Consignee” means any Person with whom the Grantor has placed any Inventory on consignment.

“Copyright License” means any written agreement now or hereafter in existence granting to the Grantor any right to use any Copyright.

“Copyrights” means, collectively, all of the following now owned or hereafter created or acquired by the Grantor: (a) all copyrights, rights and interests in copyrights, works protectable by copyright, copyright registrations and copyright applications, including, without limitation, any thereof referred to on Schedule I hereto; (b) all renewals of any of the foregoing; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

“Deposit Accounts” means all demand, time, savings, passbook or similar accounts now or hereafter maintained by or for the account of the Grantor, including, without limitation

“Documents” means all “documents” (as defined in the UCC) or other receipts covering, evidencing or representing goods or services, now or hereafter owned or acquired by the Grantor or in which the Grantor now or hereafter has or acquires any right or interest.

“Equipment” means all “equipment” (as defined in the UCC) of the Grantor, wherever located, and all other machinery, equipment and goods (other than Inventory) of the Grantor used or bought for use primarily in the business of the Grantor, including all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor, in all such cases

whether now owned or hereafter acquired by the Grantor or in which the Grantor now has or hereafter acquires any right or interest.

“Event of Default” shall mean at all times prior to the Senior Discharge Date, a Senior Event of Default, and at all times thereafter, a Mezzanine Event of Default.

“Facility Documents” shall have the meaning ascribed to such term in the recitals to this Agreement.

“Financing Statements” means the Uniform Commercial Code Form UCC-1 Financing Statements executed by the Grantor with respect to the Collateral and to be filed in the jurisdictions set forth in the Security Questionnaire.

“Fixtures” means all “fixtures” (as defined in the UCC) now or hereafter owned or acquired by the Grantor or in which the Grantor now or hereafter has or acquires any right or interest.

“General Intangibles” means all “general intangibles” (as defined in the UCC) now or hereafter owned or acquired by the Grantor or in which the Grantor now or hereafter has or acquires any right or interest, and, in any event, shall mean and include, without limitation, all rights to indemnification, and all rights, title and interest which the Grantor may now or hereafter have in or under all contracts (excluding contracts described in the definition of Accounts), agreements, permits, licenses (which contracts, agreements, permits and licenses may be pledged pursuant to the terms thereof), causes of action, franchises, tax refund claims, customer lists, Intellectual Property, license royalties, goodwill, trade secrets, data bases, business records and all other intangible property of every kind and nature; provided that for the purpose of Section 2 hereof, the grant, assignment, transfer, mortgage, hypothecation and pledge of General Intangibles (which includes, as noted herein, Intellectual Property) set forth therein shall not include any intent to use application or registration of trademark prior to the filing of a verified statement of use.

“Goods” means all “goods” (as defined in the UCC) now or hereafter owned or acquired by the Grantor or in which the Grantor now or hereafter has or acquires any right or interest.

“Guaranty” means that certain guarantee agreement dated as of October 10, 2000, from the Grantor, as guarantor, for the benefit of the Security Trustee, as the same may be amended, restated, supplemented, renewed, extended or otherwise modified from time to time.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Instruments” means all “instruments”, “chattel paper” or “letters of credit” (each as defined in the UCC), including, without limitation, instruments, chattel paper and letters of credit evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, any of the Accounts, including (but not limited to) promissory notes,

drafts, bills of exchange and trade acceptances, now or hereafter owned or acquired by the Grantor or in which the Grantor now or hereafter has or acquires any right or interest.

"Intellectual Property" means, collectively, (a) all systems software and applications software, including, but not limited to, screen displays and formats, program structures, sequence and organization, all documentation for such software, including, but not limited to, user manuals, flowcharts, programmer's notes, functional specifications, and operations manuals, all formulas, processes, ideas and know-how embodied in any of the foregoing, and all program materials, flowcharts, notes and outlines created in connection with any of the foregoing, whether or not patentable or copyrightable, (b) concepts, discoveries, improvements and ideas, (c) any useful information relating to the items described in clause (a) or (b), including know-how, technology, engineering drawings, reports, design information, trade secrets, practices, laboratory notebooks, specifications, test procedures, maintenance manuals, research, development, manufacturing, marketing, merchandising, selling, purchasing and accounting, (d) Patents, Patent rights and Patent applications, Copyrights and Copyright applications, Trademarks, Trademark rights, trade names, trade name rights, service marks, service mark rights, applications for registration of Trademarks, trade names and service marks, and Trademark, trade name and service mark registrations and Patent Licenses, Trademark Licenses and Copyright Licenses, (e) other licenses to use any of the items described in the foregoing clauses (a), (b), (c) and (d) or any other similar items of the Grantor necessary for the conduct of its business and (f) all goodwill associated with the items described in the foregoing clauses (a), (b), (c), (d) and (e); provided that for purpose of Section 4(e)(iii) hereof, the assignment, transfer and conveyance of the Intellectual Property set forth therein shall not include any intent to use application or registration of trademark prior to the filing of a verified statement of use.

"Inventory" means all "inventory" (as defined in the UCC) now or hereafter owned or acquired by the Grantor or in which the Grantor now or hereafter has or acquires any right or interest, wherever located, inventory and other materials and supplies, work-in-process, finished goods, all accessions thereto, documents therefor and any products made or processed therefrom, all substances, if any, commingled therewith or added thereto (including, without limitation, any of the foregoing in which the Grantor has an interest as a consignor).

"Investment Property" means all the Grantor's right, title and interest, whether now existing or hereafter arising or created, in stocks, bonds, securities, securities accounts, securities entitlements and similar or related assets.

"Liens" means all liens, collateral assignments, security interests, mortgages, lien pledge, charges, or encumbrances of any kind in respect of any asset including, without limitation, the rights of any vendor or lessor of such asset under any conditional sale agreement, capital lease or other title retention agreement relating to any such asset.

"Patent Licenses" means any written agreement now or hereafter in existence granting to the Grantor any right to use any invention on which a Patent is in existence.

"Patents" means, collectively, all of the following now owned or hereafter created or acquired by the Grantor: (a) all patents and patent applications including all patentable

inventions, including, without limitation, any thereof referred to on Schedule II hereto; (b) all reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing; (c) all income, royalties, damages or payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

"Permitted Security Interests" means all such Liens respecting the Collateral specifically permitted under the Facility Documents.

"Person" means any individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or any other entity of whatever nature.

"Proceeds" means all proceeds of, and all other profits, rentals or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or realization upon, Collateral, including, without limitation, all claims of the Grantor against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance in respect of, any Collateral, and any condemnation or requisition payments with respect to any Collateral and all Collateral acquired with the cash proceeds of any other Collateral.

"Security Interests" means the security interests granted pursuant to Section 2 hereof, as well as all other security interests created or assigned as additional security for the Secured Obligations pursuant to the provisions of this Agreement.

"Secured Obligations" means all current and future indebtedness and obligations of the Grantor and/or the other Obligors to the Security Beneficiaries under the Facility Documents.

"Security Questionnaire" means the security questionnaire of the Grantor dated as of _____, setting forth the corporate or company names, chief executive office or principal place of business in each state and other current locations of Collateral of the Grantor and such other information as the Security Trustee deems pertinent to the perfection of security interests, completed and supplemented with the schedules and attachments contemplated thereby to the satisfaction of the Security Trustee.

"Trademark License" means any written agreement now or hereafter in existence granting to the Grantor any right to use any Trademark.

"Trademarks" means, collectively, all of the following now owned or hereafter created or acquired by the Grantor: (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other business identifiers, prints and labels on which any of the foregoing have appeared or appear, all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications 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 of any thereof, including without limitation any thereof referred to on Schedule II hereto; (b) all reissues, extensions and renewals of any of the foregoing; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past or future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

“Vehicles” means, all vehicles now or hereafter owned or acquired by the Grantor and all other goods generally subject to a “certificate of title” (as defined in the UCC).

“UCC” means the Uniform Commercial Code as in effect in the State of Illinois; provided, that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the Security Interests in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than Illinois, “UCC” means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection.

Unless defined herein to the contrary, all capitalized terms shall have the meaning ascribed to such terms in the Intercreditor Deed.

SECTION 2. The Security Interests.

(a) In order to secure the Facility Documents and the other Banking Documents in accordance with the terms thereof, and to secure the prompt payment and performance of all of the Secured Obligations, the Grantor hereby grants, assigns, transfers, mortgages, hypothecates, pledges and sets over to the Security Trustee, a continuing security interest in and to all of the Grantor's estate, right, title and interest in and to all the following property of the Grantor wherever located, whether now or hereafter owned or acquired by the Grantor or in which the Grantor now has or hereafter has or acquires any estate, right, title or interest:

- i. Accounts;
- ii. Inventory;
- iii. Documents;
- iv. Equipment;
- v. Instruments;
- vi. General Intangibles;
- vii. Goods;

- viii. Fixtures;
- ix. Deposit Accounts;
- x. Investment Property;
- xi. Vehicles;
- xii. The Collateral Account, all cash deposited therein from time to time, the investments made pursuant to Section 6 hereof and other monies and property of any kind of the Grantor in the possession or under the control of the Security Trustee;
- xiii. All books and records (including, without limitation, customer lists, credit files, computer programs, printouts and other computer materials and records) of the Grantor pertaining to any of the Collateral;
- xiv. All other goods and personal property of the Grantor, whether tangible or intangible; and
- xv. All products and Proceeds of all or any of the Collateral described in clauses (i) through (x) hereof.

(b) All of the assets and rights and interests of the Grantor in or to property described in subsection (a) of this Section 2 and all other assets and rights and interests of the Grantor in or to property, whether now owned or hereafter acquired, which shall from time to time secure the Secured Obligations, whether pursuant to the Banking Documents or otherwise, are hereafter collectively referred to as the "Collateral".

(c) The Security Interests are granted as security only and shall not subject the Security Trustee to, or transfer to the Security Trustee, or in any way affect or modify, any obligation or liability of the Grantor with respect to any of the Collateral or any transaction in connection therewith.

SECTION 3. Representations and Warranties. The Grantor represents and warrants as follows:

(a) The Grantor has the corporate or other applicable power and authority and the legal right to execute and deliver, to perform its obligations under, and to grant the Security Interests in the Collateral pursuant to, this Agreement and has taken all necessary corporate or other applicable action to authorize its execution, delivery and performance of, and grant of the Security Interests in the Collateral pursuant to, this Agreement.

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

(c) To Grantor's best knowledge, the execution, delivery and performance of this Agreement will not violate any provision of any Applicable Law or contractual obligation of the Grantor and will not result in the creation or imposition of any Lien on any of the properties or revenues of the Grantor pursuant to any Applicable Law or contractual obligation of the Grantor, except as contemplated hereby.

(d) No consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder or Security Trustee of the Grantor), is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement, except for the filing of UCC-1 financing statements and, with respect to the Patents, the Copyrights and the Trademarks, the filing of applicable documentation in, as applicable, the U.S. Patent and Trademark Office and the U.S. Copyright Office with respect to any Trademarks arising under any state or federal law of the United States of America, and compliance with the comparable Applicable Law of the applicable Governmental Authority with respect to all other Trademarks.

(e) To Grantor's best knowledge, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Grantor after due inquiry, threatened by or against the Grantor or against any of its properties or revenues with respect to this Agreement or any of the transactions contemplated hereby.

(f) The Grantor is the owner of, and has good and marketable title to, the Collateral, free and clear of any Liens other than Permitted Security Interests.

(g) To Grantor's best knowledge, the Grantor has not performed or failed to perform any acts that would prevent or hinder the Security Trustee from enforcing any of the terms of this Agreement. To Grantor's best knowledge, no financing statement, mortgage, security agreement or similar or equivalent document or instrument covering all or any part of the Collateral is on file or of record in any jurisdiction, except with respect to Permitted Security Interests.

(h) All of the information set forth in the Security Questionnaire is true and correct as of the date hereof.

(i) The Grantor has, contemporaneously herewith, delivered to the Security Trustee possession of all chattel paper, negotiable Instruments (other than checks and other routine items in the process of collection in the ordinary course of business) and documents constituting Collateral currently owned or held by the Grantor, if any (duly endorsed in blank, if requested by the Security Trustee).

(j) With respect to any material Intellectual Property:

- i. such Intellectual Property is subsisting and has not been adjudged invalid or unenforceable, in whole or in part;
- ii. to the best of Grantor's knowledge, such Intellectual Property is valid and enforceable;
- iii. other than as disclosed on Schedule I or II, the Grantor has made all necessary filings and recordations to protect its interest in such Intellectual Property, including, without limitation, recordations of all of its interests in the Patents and Trademarks in the United States Patent and Trademark Office and its claims to the Copyrights in the United States Copyright Office;
- iv. the Grantor is the exclusive owner of the entire and unencumbered right, title and interest in and to such Intellectual Property and, to the Grantor's knowledge, no claim has been made that the use of such Intellectual Property does or may violate the asserted rights of any third party; and
- v. the Grantor has performed and will continue to perform all commercially reasonable acts and has paid and will continue to pay all required fees and taxes to maintain each and every item of Intellectual Property in full force and effect except where the failure to do so could not be seen as potentially having a material adverse effect on the Grantor.

(k) To Grantor's best knowledge, the Grantor has not performed or failed to perform any acts that would prevent or hinder the Security Trustee from enforcing any of the terms of this Agreement. To Grantor's best knowledge, other than financing statements or other similar or equivalent documents or instruments with respect to Permitted Security Interests, no financing statement, mortgage, security agreement or similar or equivalent document or instrument covering all or any part of the Collateral of the Grantor is on file or of record in any jurisdiction. No Collateral of the Grantor is in the possession of any Person (other than the Grantor) asserting any claim thereto or security interest therein, except that the Security Trustee or its designee may have possession of the Collateral as contemplated hereby and a bailee may have possession of the Collateral as contemplated by, and so long as, the Grantor has complied with Section 4(c)(ii) hereof.

(l) The Financing Statements are in appropriate form and when filed in the offices specified in the Security Questionnaire (and, with respect to the Collateral Account, control of the Collateral Account by a bailee of Security Trustee), the Security Interests will constitute valid and perfected security interests in the Collateral subject only to the Permitted Security Interests and all filings and other actions necessary or desirable to perfect and protect such Security Interests have been duly taken.

(m) With respect to any Inventory of the Grantor: (i) all Inventory is, and shall be at all times, located at places of business listed in the Security Questionnaire or as to which the Grantor has complied with the provisions of Section 4(a)(i) hereof, except Inventory in transit from one such location to another such location; (ii) no Inventory is, nor shall at any time or times be, subject to any Lien whatsoever, except for Permitted Security Interests; (iii) no Inventory in aggregate value exceeding \$100,000 at any time is, nor shall at any time or times be, kept, stored or maintained with a bailee, warehouseman, carrier or similar party (other than a carrier delivering Inventory to a purchaser in the ordinary course of the Grantor's business) unless the Security Trustee shall have received prior written notice of such storage and the Grantor has complied with the provisions of Section 4(a)(iv) hereof; and (iv) no Inventory in aggregate value exceeding \$100,000 at any time is, nor shall at any time or times be, kept, stored or maintained with a consignee unless the Security Trustee shall have received prior written notice of such consignment and the Grantor has complied with the provisions of Section 4(c)(ii) hereof.

(n) The Inventory, Fixtures and Equipment are insured in accordance with the requirements hereof and of the Facility Documents.

SECTION 4. Further Assurances; Covenants.

(a) General.

- i. The Grantor shall not (i) change the location of its chief executive office or principal place of business in any state or (ii) change the locations where it keeps or holds any Collateral or any records relating thereto from the applicable location described in the Security Questionnaire or (iii) change its name, identity or corporate or company structure in any manner, unless the Grantor shall have given the Security Trustee thirty (30) days prior written notice thereof, executed and delivered to the Security Trustee all financing statements and financing statement amendments that the Security Trustee may request in connection therewith and, if requested by the Security Trustee, delivered an opinion of counsel with respect thereto in accordance with Section 4(a)(v) hereof; provided, however, that the Grantor may keep Inventory at, or in transit to, any location described in the Security Questionnaire. The Grantor shall not in any event change the location of any Collateral if such change would cause the Security Interests in such Collateral to lapse or cease to be perfected.
- ii. The Grantor shall, promptly upon request, provide to the Security Trustee all information and evidence the Security Trustee may reasonably request concerning the Collateral to enable the Security Trustee to enforce the provisions of this Agreement. Upon an Event of Default, the Grantor shall promptly deliver to the Security Trustee any Collateral consisting of (x) negotiable documents or Instruments, duly endorsed in blank if requested by the Security Trustee and (y) chattel paper, which shall be marked as set forth in Section 5(a) hereof.

- iii. The Grantor shall maintain the Security Trustee's Lien on the Collateral as a first priority perfected Lien thereon subject only to Permitted Security Interests. In connection therewith, the Grantor will, from time to time, at its expense, execute, deliver, file and record any statement, assignment, instrument, document, agreement or other paper and take any other action (including, without limitation, any filings of financing or continuation statements under the UCC, any filings with the United States Patent and Trademark Office and United States Copyright Office) that from time to time may be necessary, or that the Security Trustee may reasonably request, in order to create, preserve, upgrade in rank, perfect, confirm or validate the Security Interests or to enable the Security Trustee to obtain the full benefits of this Agreement, or to enable the Security Trustee to exercise and enforce any of its rights, powers and remedies hereunder with respect to any of the Collateral. Prior to the irrevocable payment in full of the Secured Obligations, the Grantor hereby authorizes the Security Trustee to execute and file financing statements, financing statement amendments or continuation statements without the Grantor's signature appearing thereon. The Grantor agrees that a carbon, photographic, photostatic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement. The Grantor shall pay the reasonable costs of, or incidental to, any recording or filing of the Financing Statements and any other financing statements, financing statement amendments or continuation statements concerning the Collateral.
- iv. If any Collateral exceeding in value \$100,000 in the aggregate is at any time in the possession or control of any warehouseman, bailee (other than a carrier transporting Inventory to a purchaser in the ordinary course of business), or any of the Grantor's agents or processors, the Grantor shall notify in writing such warehouseman, bailee, agent or processor of the Security Interests created hereby, shall obtain such warehouseman's, bailee's, agent's or processor's agreement in writing to hold all such Collateral for the Security Trustee's account subject to the Security Trustee's instructions, and shall cause such warehouseman, bailee, agent or processor to issue and deliver to the Security Trustee warehouse receipts, bills of lading or any similar documents relating to such Collateral in the Security Trustee's name and in form and substance acceptable to the Security Trustee.
- v. Prior to each date on which the Grantor proposes to take any action contemplated by Section 4(a)(i) hereof, the Grantor shall, at its cost and expense, cause to be delivered to the Security Trustee at its request an opinion of counsel, satisfactory to the Security Trustee, to the effect that all financing statements and amendments or supplements thereto, continuation statements and other documents required to be recorded or filed in order to perfect and protect the Security Interests and priority

- ii. Upon the occurrence and during the continuance of any Event of Default, upon request of the Security Trustee, the Grantor will promptly notify (and the Grantor hereby authorizes the Security Trustee so to notify) each Account Debtor in respect of any Account that such Account has been assigned to the Security Trustee hereunder and that any payments due or to become due in respect of such Account are to be made directly to the Security Trustee or its designee.
- iii. The Grantor will perform and comply with all of its obligations in respect of Accounts and General Intangibles and the exercise by the Security Trustee of any of its rights hereunder shall not release the Grantor from any of its duties or obligations thereunder.
- iv. Without Security Trustee's consent, which consent shall not be unreasonably withheld or delayed, the Grantor will not, except to the extent that doing so would be commercially reasonable, (A) amend, modify, terminate or waive any material provision of any agreement giving rise to an Account or a General Intangible in any manner which could reasonably be expected to materially adversely affect the value of such Account as Collateral, or (B) fail to exercise promptly and diligently each and every material right which it may have under each agreement giving rise to an Account (other than any right of termination) except as may be undertaken by the Grantor in the ordinary course of business as generally conducted by the Grantor over a period of time.

(c) Inventory, Etc.

- i. At the request of the Security Trustee, but if no Event of Default has occurred and is continuing, not more frequently than once every 12 months, the Grantor shall deliver to the Security Trustee a Schedule of Inventory which schedule shall, unless otherwise indicated thereon, constitute a representation with respect to the Qualified Inventory listed thereon or referred to therein that: (A) all such Inventory is located at places of business listed in the Security Questionnaire or as to which the Grantor has complied with the provisions of Section 4(a)(i) hereof or on the premises identified on the then current Schedule of Inventory or is Inventory in transit from one such location to another such location; (B) no such Inventory is subject to any Lien whatsoever, except for Permitted Security Interests; (C) no such Inventory in aggregate value exceeding \$100,000 at any time is, nor shall at any time or times be, kept, stored or maintained with a bailee, warehouseman, carrier or similar party (other than a carrier delivering Inventory to a purchaser in the ordinary course of a Grantor's business) unless the Security Trustee has given its prior written consent and the

thereof against all Security Trustees of and purchasers from the Grantor have been filed in each filing office necessary or desirable for such purposes and that all filing fees and taxes, if any, payable in connection with such filings have been paid in full.

- vi. After the occurrence and during the continuation of an Event of Default, from time to time upon request by the Security Trustee, the Grantor shall, at its cost and expense, cause to be delivered to the Security Trustee opinion or opinions of counsel, reasonably satisfactory to the Security Trustee, as to the enforceability of the Facility Documents and the Lien of the Security Trustee on the Collateral and other property of the Grantor and such other matters relating to the transactions contemplated hereby as the Security Trustee may reasonably request.
- vii. The Grantor will comply in all material respects with all Applicable Laws applicable to the Collateral or any part thereof or to the operation of the Grantor's business.
- viii. The Grantor will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of its income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral or contest the same in good faith by appropriate proceedings.
- ix. The Grantor shall not
 - (1) sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, other than as specifically permitted under the Facility Documents; or
 - (2) create or suffer to exist any Lien or other charge or encumbrance upon or with respect to any of the Collateral to secure indebtedness of any Person or entity, except Permitted Security Interests.

(b) Accounts, Etc.

- i. The Grantor shall use all reasonable efforts to cause to be collected from its Account Debtors, as and when due, any and all amounts owing under or on account of each Account (including, without limitation, Accounts which are delinquent, such Accounts to be collected in accordance with lawful collection procedures) and to apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Account. The costs and expenses (including, without limitation, reasonable attorney's fees), of collection of Accounts incurred by the Grantor or the Security Trustee shall be borne by the Grantor.

Grantor has complied with the provisions of Section 4(a)(iv) hereof.

- ii. If at any time during the term of this Agreement, any Inventory having an aggregate value in excess of \$100,000 is or has been placed by the Grantor on consignment, the Grantor shall promptly so notify the Security Trustee with reasonable specificity as the Inventory involved, the name and address of the Consignee and the location of all consigned Inventory and, if so requested by the Security Trustee, Grantor shall also immediately: (A) provide the Security Trustee with all consignment agreements and other instruments and documentation to be used in connection with such consignment, all of which agreements, instruments and documentation shall be reasonably acceptable in form and substance to the Security Trustee; (B) prepare, execute and file appropriate financing statements with respect to any consigned Inventory showing the Consignee as debtor, the Grantor as secured party and the Security Trustee as assignee of secured party; (C) prepare, execute and file appropriate financing statements with respect to any consigned Inventory showing the Grantor as debtor and the Security Trustee as secured party; (D) after all financing statements referred to in clauses (B) and (C) above shall have been filed, conduct a search of all filings made against the Consignee in all jurisdictions in which the Inventory to be consigned is to be located while on consignment, and deliver to the Security Trustee copies of the results of all such searches; (E) notify, in writing, all Security Trustees of the Consignee which would be holders of security interests in the Inventory to be consigned that the Grantor expects to deliver certain Inventory to the Consignee, all of which Inventory shall be described in such notice by item or type, and (F) if requested by the Security Trustee, deliver an opinion of counsel to the effect that all financing statements and amendments or supplements thereto, continuation statements and other documents required to be recorded or filed in order to perfect and protect the Security Interests and priority thereof against all Security Trustees of and purchasers of the Grantor and such Consignee have been filed in each filing office necessary or desirable for such purposes and that all filing fees and taxes, if any, payable in connection with such filings have been paid in full.

(d) Equipment, Etc. The Grantor will maintain each item of Equipment in the same condition, repair and working order as when acquired, ordinary wear and tear and immaterial impairments of value and damage by the elements excepted, and in accordance with any manufacturer's manual, and will as quickly as practicable provide all maintenance, service and repairs necessary for such purpose and will promptly furnish to the Security Trustee a statement respecting any material loss or damage to any of the Equipment.

(e) THIS SECTION INTENTIONALLY DELETED.

(f) Insurance. The Grantor shall maintain, or cause to be maintained insurance as required by the Facility Documents.

(g) Indemnification. The Grantor agrees to pay, and to save the Security Trustee harmless from, any and all liabilities, costs and expenses (including, without limitation, reasonable legal fees and expenses) (i) with respect to, or resulting from, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, complying with any Applicable Law applicable to any of the Collateral or (iii) in connection with any of the transactions contemplated by this Agreement (except to the extent any such liabilities, costs and expenses result from the gross negligence or willful misconduct of the Security Trustee). In any suit, proceeding or action brought by the Security Trustee under any Account for any sum owing thereunder, or to enforce any provisions of any Account, the Grantor will save, indemnify and keep the Security Trustee harmless from and against all reasonable expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction or liability whatsoever of the Account Debtor or any other obligor thereunder, arising out of a breach by the Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such Account Debtor or obligor or its successors from the Grantor (except to the extent any such expense, loss or damage results from the gross negligence or willful misconduct of the Security Trustee). The obligations of the Grantor under this Section 4(h) shall survive the termination of the other provisions of this Agreement; provided that after the payment of the Secured Obligations (other than indemnification obligations described in the Facility Documents that expressly survive payment in full of the Secured Obligations), the Lien on the Collateral described herein will be released.

SECTION 5. Reporting and Recordkeeping. The Grantor covenants and agrees with the Security Trustee that from and after the date of this Agreement and until the Facility Documents and the credit facilities thereunder have been terminated all Secured Obligations (other than indemnification obligations described in the Facility Documents that expressly survive payment in full of the other Secured Obligations) have been fully satisfied:

(a) Maintenance of Records Generally. The Grantor will keep and maintain at its own cost and expense complete and accurate records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral. Any chattel paper given to the Grantor with respect to any Accounts will be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of The Governor and Company of the Bank of Scotland as Security Trustee". For the further security of the Security Trustee, the Grantor agrees that upon the occurrence and during the continuation of any Event of Default, the Grantor shall deliver and turn over any such books and records directly to the Security Trustee or its designee. The Grantor shall permit any representative of the Security Trustee or its designee to inspect such books and records in accordance with the terms of the Facility Documents and will provide photocopies thereof to the Security Trustee upon its reasonable request.

(b) Certain Provisions Regarding Maintenance of Records and Reporting Re: Accounts, Inventory and Equipment. The Grantor will promptly notify the Security Trustee in writing if any Account, the face value of which exceeds \$50,000 arises out of a contract with the United States of America, or any department, agency, subdivision or instrumentality thereof, or of any state (or department, agency, subdivision or instrumentality thereof) where such state has a state assignment of claims act or other law comparable to the Federal Assignment of Claims Act, and will take any action required or requested by the Security Trustee or give notice of the Security Trustee's Security Interest in such Accounts under the provisions of the Federal Assignment of Claims Act or any comparable law or act enacted by any state or local governmental authority.

(c) Further Identification of Collateral. The Grantor will, if so requested by the Security Trustee, furnish to the Security Trustee statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Security Trustee may reasonably request, all in reasonable detail.

(d) Notices. In addition to the notices required by Section 5(b) hereof, the Grantor will advise the Security Trustee promptly, in reasonable detail, (i) of any material Lien or claim made or asserted against any of the Collateral, (ii) of any material adverse change in the composition of the Collateral, and (iii) of the occurrence of any other event which could have a material adverse effect on the Collateral or on the validity, perfection or priority of the Security Interests.

SECTION 6. Collateral Account.

(a) Upon the occurrence and during the continuance of an Event of Default, upon notice to do so from the Security Trustee, the Grantor shall establish with a bank satisfactory to the Security Trustee a Collateral Account in the name and under the exclusive dominion and control of the Security Trustee. There shall be deposited from time to time into this Collateral Account the cash proceeds of the Collateral required to be delivered to the Security Trustee pursuant to Section 6(b) hereof or any other provision of this Agreement. Any income received by the Security Trustee with respect to the balance from time to time standing to the credit of the Collateral Account, including any interest or capital gains on investments of amounts on deposit

in the Collateral Account, shall remain, or be deposited, in the Collateral Account, shall vest in the Security Trustee, shall constitute part of the Collateral hereunder and shall not constitute payment of the Secured Obligations until applied thereto as hereinafter provided.

(b) Upon the occurrence and during the continuance of an Event of Default, if requested by the Security Trustee, the Grantor shall instruct all Account Debtors and other Persons obligated in respect of all Accounts to make all payments in respect of the Accounts either (i) directly to the Security Trustee (by instructing that such payments be remitted to a post office box which shall be in the name and under the exclusive dominion and control of the Security Trustee) or (ii) to one or more other depository banks in any state in the United States (by instructing that such payments be remitted to a post office box which shall be in the name and under the exclusive dominion and control of the Security Trustee) under a Lockbox Letter substantially in the form of Annex I hereto duly executed by the Grantor and the applicable depository bank or under other arrangements, in form and substance satisfactory to the Security Trustee, pursuant to which the Grantor shall have irrevocably instructed such depository bank (and such other depository bank shall have agreed) to remit all proceeds of such payments directly to the Security Trustee for deposit into the Collateral Account or as the Security Trustee may otherwise instruct such depository bank, and thereafter if the proceeds of any Collateral shall be received by the Grantor, the Grantor will promptly deposit such proceeds into the Collateral Account and until so deposited, all such proceeds shall be held in trust by the Grantor for and as the property of the Security Trustee shall not be commingled with any other funds or property of the Grantor. At any time after the occurrence and during the continuance of an Event of Default, the Security Trustee may itself so instruct the Grantor's Account Debtors. All such payments made to the Security Trustee shall be deposited in the Collateral Account.

SECTION 7. General Authority.

- (a) The Grantor hereby irrevocably appoints the Security Trustee its true and lawful attorney, with full power of substitution, in the name of the Grantor, the Security Trustee, or otherwise, for the sole use and benefit of the Security Trustee, but at the Grantor's expense, to exercise, at any time from time to time all or any of the following powers:
- i. to file the Financing Statements and any financing statements, financing statement amendments and continuation statements referred to in Sections 4(a)(i), 4(a)(iii) and 4(c)(ii) hereof;
 - ii. to demand, sue for, collect, receive and give acquittance for any and all monies due or to become due with respect to any Collateral or by virtue thereof;
 - iii. to settle, compromise, compound, prosecute or defend any action or proceeding with respect to any Collateral;

- iv. to sell, transfer, assign or otherwise deal in or with the Collateral and the Proceeds thereof, as fully and effectually as if the Security Trustee were the absolute owner thereof; and
- v. to extend the time of payment of any or all thereof and to make any allowance and other adjustments with reference to the Collateral;

provided, that the Security Trustee shall not take any of the actions described in this Section 7 except those described in clause (i) above unless an Event of Default shall have occurred and be continuing and the Security Trustee shall give the Grantor not less than ten (10) days' prior written notice of the time and place of any sale or other intended disposition of any of the Collateral, except any Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market. The Grantor agrees that any such notice constitutes "reasonable notification" within the meaning of Section 9-504(3) of the UCC (to the extent such Section is applicable).

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

(c) The Grantor also authorizes the Security Trustee at any time and from time to time, to execute, in connection with the sale provided for in Section 8 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

SECTION 8. Remedies Upon Event of Default. If any Event of Default has occurred and is continuing, the Security Trustee may exercise on behalf of itself all rights of a secured party under the UCC (whether or not in effect in the jurisdiction where such rights are exercised) and, in addition, the Security Trustee may (i) withdraw all cash, if any, in the Collateral Account and investments made with amounts on deposit in the Collateral Account, and apply such monies, investments and other cash, if any, then held by it as Collateral as specified in Section 10 hereof and (ii) if there shall be no such monies, investments or cash or if such monies, investments or cash shall be insufficient to pay all the Secured Obligations in full, sell the Collateral or any part thereof at public or private sale, for cash, upon credit or for future delivery, and at such price or prices as the Security Trustee may deem satisfactory. The Security Trustee may be the purchaser of any or all of the Collateral so sold at any public sale (or, if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations or if otherwise permitted under applicable law, at any private sale) and thereafter hold the same, absolutely, free from any right or claim of whatsoever kind. The Grantor will execute and deliver such documents and take such other action as the Security Trustee deems reasonably necessary or advisable in order that any such sale may be made in compliance with law. Upon any such sale the Security Trustee shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral so sold (without warranty). Each purchaser at any such sale shall hold the Collateral so sold to it absolutely, free from any claim or right of whatsoever kind, including any equity or right of redemption of the Grantor. To the extent permitted by law, the Grantor hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter adopted. The

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notice of such sale shall be given to the Grantor ten (10) days prior to such sale and (A) in case of a public sale, state the time and place fixed for such sale, and (B) in the case of a private sale, state the day after which sale may be consummated. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Security Trustee may fix in the notice of such sale. At any such sale the Collateral may be sold in one lot as an entirety or in separate parcels, as the Security Trustee may determine. The Security Trustee shall not be obligated to make any such sale pursuant to any such notice. The Security Trustee may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Security Trustee until the selling price is paid by the purchaser thereof, but the Security Trustee shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may again be sold upon like notice. The Security Trustee, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction. The Grantor shall remain liable for any deficiency.

a) For the purpose of enforcing any and all rights and remedies under this Agreement, the Security Trustee may at any time after the occurrence and during the continuation of an Event of Default (i) require the Grantor to, and the Grantor agrees that it will, at its expense and upon the request of the Security Trustee, forthwith assemble all or any part of the Collateral as directed by the Security Trustee and make it available at a place designated by the Security Trustee which is reasonably convenient to the Security Trustee and the Grantor, whether at the premises of the Grantor or otherwise, (ii) to the extent permitted by applicable law, enter, with or without process of law and without breach of the peace, any premise where any of the Collateral is or may be located and, without charge or liability to the Security Trustee, seize and remove such Collateral from such premises, (iii) have access to and use the Grantor's books and records relating to the Collateral and (iv) prior to the disposition of the Collateral, store or transfer such Collateral without charge in or by means of any storage or transportation facility owned or leased by the Grantor, process, repair or recondition such Collateral or otherwise prepare it for disposition in any manner and to the extent the Security Trustee deems appropriate and, in connection with such preparation and disposition, use without charge any Trademark, trade name, Copyright, Patent or technical process used by the Grantor.

b) Without limiting the generality of the foregoing, if any Event of Default has occurred and is continuing,

- i. the Security Trustee may license, or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any Patents or Trademarks included in the Collateral throughout the world for such term or terms, on such conditions and in such manner as the Security Trustee shall in its sole discretion determine;
- ii. the Security Trustee may (without assuming any obligations or liability thereunder), at any time and from time to time, enforce (and shall have the exclusive right to enforce) against any licensee or sublicensee all rights and remedies of the Grantor in, to and under any Patent Licenses or Trademark Licenses and take or refrain from taking any action under any thereof; provided, however, that no such actions shall result in the failure of such Patent Licenses or Trademark Licenses to remain in compliance with all Applicable Law, and the Grantor hereby release the Security Trustee free and harmless from and against any claims arising out of, any lawful action so taken or omitted to be taken with respect thereto except with respect to the gross negligence or willful misconduct of the Security Trustee; and
- iii. upon request by the Security Trustee, the Grantor will execute and deliver to the Security Trustee a power of attorney, in form and substance satisfactory to the Security Trustee, for the implementation of any lease, assignment, license, sublicense, grant or option, sale or other disposition of a Patent or Trademark. In the event of any such disposition pursuant to this Section 8, the Grantor shall supply its know-how and expertise relating to the manufacture and sale of the products bearing Trademarks or the products or services made or rendered in connection with such Patents, and its customer lists and other records relating to such Patents or Trademarks and to the distribution of said products, to the Security Trustee.

SECTION 9. Limitation on Duty of Security Trustee in Respect of Collateral. Beyond reasonable care in the custody thereof, the Security Trustee shall not have any duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Security Trustee shall be deemed to have exercised reasonable care in the custody of the Collateral in their possession if the Collateral is accorded treatment substantially equal to that which it accords their own property, and the Security Trustee shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by the Security Trustee in good faith other than as a result of the gross negligence or willful default of the Security Trustee.

SECTION 10. Distributions of Collateral Proceeds Upon Exercise of Remedies. The proceeds of any collection, sale or other realization of all or any part of the Collateral, and of all proceeds of the enforcement of any Lien created under this Agreement or any other Facility Document, together with any sums then held by the Security Trustee as part of the Collateral, shall be applied first in an amount to cover the costs of the fees, costs and expenses incurred by, and all other amounts owed or payable to, the Security Trustee through the date of such enforcement or sale, including reasonable compensation for and expenses of the Security Trustee's representatives and counsel, and all reasonable charges, expenses, liabilities and advances incurred or made by the Security Trustee in connection with such enforcement or sale, whether provided for under this Agreement or otherwise; then to the Security Trustee in an aggregate amount equal to the sum of the unpaid Secured Obligations; and any surplus then remaining shall be paid to the Grantor or the person who may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

SECTION 11. Governing Law. This Agreement shall be governed by the laws of the State of Illinois.

SECTION 12. Consent to Jurisdiction.{ TC "
" } The Grantor hereby irrevocably consents to the personal jurisdiction of the courts located in London, England in any action, claim or other proceeding arising out of or any dispute in connection with this Agreement, any rights or obligations hereunder, or the performance of such rights and obligations. The Grantor hereby irrevocably consents to the service of a summons and complaint and other process in any action, claim or proceeding brought by the Security Trustee in connection with this Agreement, any rights or obligations hereunder, or the performance of such rights and obligations, on behalf of itself or its property, in the manner provided with respect to the Principal Borrower in the Facility Documents. Nothing in this Section shall affect the right of the Security Trustee to serve legal process in any other manner permitted by Applicable Law or affect the right of the Security Trustee to bring any action or proceeding against the Grantor or its properties in the courts of any other jurisdictions.

SECTION 13. Waiver of Jury Trial. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE SECURITY TRUSTEE AND THE GRANTOR HEREBY IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION, CLAIM OR OTHER PROCEEDING ARISING OUT OF OR ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER, OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS.**

SECTION 14. Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Security Trustee in order to carry out the intentions of the parties hereto as nearly as may be possible; and (b) the invalidity or unenforceability of any provisions hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

SECTION 15. Headings. The various headings of this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any provisions hereof.

SECTION 16. Counterparts. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

SECTION 17. Special Limitation on Secured Obligations. Notwithstanding anything else to the contrary contained anywhere else in this Agreement, the term "Secured Obligations" shall not exceed, with respect to any Grantor, as of any date of determination that amount equal to the maximum amount which could then be claimed against such Grantor without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the United States Federal Bankruptcy Code (11. U.S.C. Section 101 *et seq.*) or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or law.

SECTION 18. Notices. All written notices delivered pursuant to this Agreement shall be governed by the provisions of the Facility Documents with the address of the Security Trustee being as set forth in the Facility Documents and the address of the Grantor being as follows (or such other address as shall be designated by such party in a written notice to each other party hereto):

103 Regent Street
London
W1B 4HL
United Kingdom
Attention: Chief Executive Officer

Telephone No.: _____
Facsimile No.: _____

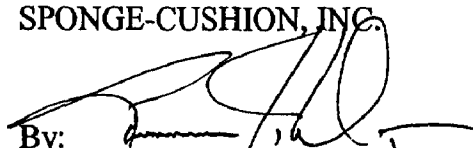
SECTION 19. Release of Collateral. The Security Trustee shall release of record the Security Trustee's Lien upon termination of the Facility Documents and indefeasible payment in full of all Secured Obligations and the occurrence of the Senior Discharge Date and the Mezzanine Discharge Date. All reasonable expenses incurred by the Security Trustee in connection with any release of the Lien on the Collateral shall immediately be reimbursed by the Grantor.

SECTION 20. Primacy of Facility Documents. In the event of a direct, express inconsistency between the terms of this Agreement and the terms of the Facility Documents, the applicable, express term of the Facility Documents shall prevail.

IN WITNESS WHEREOF, the Grantor and the Security Trustee have caused this Agreement to be executed under seal by their duly authorized officers, all as of the day and year first written above.

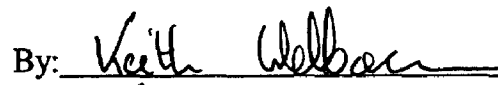
GRANTOR:

SPONGE-CUSHION, INC.

By: 
Name: Lawrence J. Dwyer
Title: _____

SECURITY TRUSTEE:

THE GOVERNOR AND COMPANY OF
THE BANK OF SCOTLAND, AS
SECURITY TRUSTEE

By: 
Name: KEITH WILSON
Title: DIRECTOR OF S.F. NORTH WEST

SCHEDULE I

Copyrights and Related Rights

None

SCHEDULE II
(to Security Agreement)

Patents and Related Rights

<u>Nature of Interest</u>	<u>Registered Patent No.</u>	<u>Issue Date</u>	<u>Country of Issue</u>
Owner	5.116.439	May 26, 1992	United States

Trademarks and Related Rights

<u>Nature of Interest</u>	<u>Registered Trademark</u>	<u>Registration No.</u>	<u>Date Registered</u>	<u>Country of Registration</u>
Owner	Mr. Wet/Mr. Grime Design	1.524.681	Feb. 14, 1989	United States
Owner	SCI	1.539.421	May 16, 1989	United States
Owner	Tred-Mor	1.579.162	Jan. 23, 1990	United States
Owner	Dubl-Stik	1.579.154	Jan. 23, 1990	United States
Owner	Block Out	1.761.496	Mar. 30, 1993	United States
Owner	Quik-Lift	2.231.764	Mar. 16, 1999	United States

ANNEX I
(to Security Agreement)

[FORM OF LOCKBOX LETTER]

_____, _____

[Name and Address of Lockbox Banks]

Re: [CORPORATION]

Ladies and Gentlemen:

We hereby notify you that effective _____, _____, we have transferred exclusive ownership and control of our lock-box account(s) no[s]. _____ (the "Lockbox Account[s]") maintained with you under the terms of the [Lockbox Agreement] attached hereto as Exhibit A (the "Lockbox Agreement[s]") to the _____, a banking association chartered under the laws of _____ (the "Security Trustee").

We hereby irrevocably instruct you to make all payments to be made by you out of or in connection with the Lockbox Account(s) (i) to the Security Trustee for credit to account no. _____ maintained by it at its office at _____ or (ii) as you may otherwise be instructed by the Security Trustee.

We also hereby notify you that the Security Trustee shall be irrevocably entitled to exercise any and all rights in respect of or in connection with the Lockbox Account(s), including, without limitation, the right to specify when payments are to be made out of or in connection with the Lockbox Account(s).

All funds deposited into the Lockbox Account(s) will not be subject to deduction, set-off, Bank's lien or any other right in favor of any person other than the Security Trustee, except that you may set-off against the Lockbox Account(s) the face amount of any check deposited in and credited to such Lockbox Account(s) which is subsequently returned for any reason. Your compensation for providing the service contemplated herein shall be mutually agreed between you and us from time to time and we will continue to pay such compensation.

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TRADEMARK
REEL: 002585 FRAME: 0897

Please confirm your acknowledgment of and agreement to the foregoing instructions by signing in the space provided below

Very truly yours,

By: _____
Name: _____
Title: _____

Name: _____
Title: _____

Acknowledged and agreed
to as of this ____ day of
_____, ____.

[LOCKBOX BANKS]

By: _____
Name: _____
Title: _____

PARKER POE

PARKER POE ADAMS & BERNSTEIN LLP

Attorneys and Counselors at Law

James C. Davis, Jr.
Associate
Telephone: 704.335.9873
Direct Fax: 704.335.9713
jamesdavis@parkerpoe.com

Three Wachovia Center
Suite 3000
401 South Tryon Street
Charlotte, NC 28202-1935
Telephone 704.372.9000
Fax 704.334.4706
www.parkerpoe.com

September 4, 2002

Via Certified Mail

U.S. Patent and Trademark Office
Assignment Division, Box Assignments CG-4
1213 Jefferson Davis Hwy
Suite 320
Washington, D.C. 20231

Re: Document ID No.: 102127138
Sponge-Cushion, Inc.
Assignment of Security Interest in United States Patents and Trademarks


Dear Sir/Madam:

Enclosed for recordation please find the cover sheet for Document ID No. 102127138 which was previously rejected. Attached to the cover sheet is a security agreement by Sponge-Cushion, Inc. to the Governor and Company of the Bank of Scotland, conveying a security interest in 6 trademarks. The recording fee for this document has already been paid as noted on the cover sheet.

Please record the enclosed documents and return proof of recordation to me at the above address. For your convenience, I have enclosed a self-addressed, stamped envelope.

If you require any further information, please contact me at the above number. Thank you.

Very truly yours,


James C. Davis, Jr.

JCD:fp

Enclosure

COLUMBIA, SC
RALEIGH, NC
SPARTANBURG, SC

CLT 640867v1

RECORDED: 06/12/2002

TRADEMARK
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