

10-29-2002

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

The Cambridge Towel Corporation

- Individual(s)
- General Partnership
- Corporation-State
- Other Corporation 10-23-02
- Association
- Limited Partnership

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

3. Nature of conveyance:

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

Execution Date: October 17, 2002

2. Name and address of receiving party(ies)

Name: LaSalle Business Credit, a division of
Internal ABN AMRO Bank N.Y. Canada Branch
Address: Suite 1500 Maritime Life Tower

Street Address: 79 Wellington St. W. TD Centre
City: Toronto, Ontario State: Canada Zip: M5K 1G8

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

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

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

A. Trademark Application No.(s)
See attached Schedule A

B. Trademark Registration No.(s)
See attached Schedule A

Additional number(s) attached Yes No

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

Name: OGILVY RENAULT

Internal Address: Attn Jennifer Bensch

Street Address: Suite 2100, Royal Trust Tower
TD Centre, 77 King St. West

City: Toronto, Ontario State: Canada Zip: M5K 1H1

6. Total number of applications and registrations involved: 4

7. Total fee (37 CFR 3.41).....\$ 120.00

- 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.

Jennifer Bensch
Name of Person Signing

Jennifer Bensch
Signature

October 28, 2002
Date

10/28/2002 DBYRNE

00000205 76020487

Total number of pages including cover sheet, attachments, and document: 10

01 FC:8521
02 FC:8522

40.00 DP
75.00 DP
Documents to be recorded with required cover sheet information to:
Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231

Refund Ref: 10/28/2002 DBYRNE 0000122032

CHECK Refund Total: \$5.00

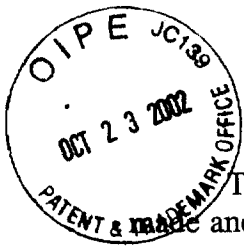
TRADEMARK
REEL: 2606 FRAME: 0095

SCHEDULE "A"

INTELLECTUAL PROPERTY

A. Trademarks

Country	Serial Number	Registration Number	Title	Owner/Registrant	Status
USA	76,020,487	2,602,085	Contessa	The Cambridge Towel Corporation (CA)	Live
USA	75,183,454	2,406,547	Ultra Dry	The Cambridge Towel Corporation (CA)	Live
USA	75,169,436	2,158,225	"C"	The Cambridge Towel Corporation (CA)	Live
USA	75,164,123	2,140,259	Cambridge	The Cambridge Towel Corporation (CA)	Live



INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT ("Agreement") is made and entered into as of October 17, 2002, by and between The Cambridge Towel Corporation ("Debtor") and LaSalle Business Credit, a division of ABN AMRO Bank N.V., Canada Branch ("Secured Party") pursuant to a Loan Agreement dated as of October 17, 2002 between the Debtor, the Secured Party, 514489 Ontario Limited and 1212239 Ontario Limited as the same may be amended, supplemented, revised, replaced or restated from time to time (the "Loan Agreement").

WHEREAS, Debtor is, or may become, indebted or to liable to the Secured Party pursuant to the Loan Agreement;

WHEREAS, Debtor is the owner of certain rights to the Intellectual Property Collateral hereinafter defined;

WHEREAS, to secure payment of all sums due pursuant to the Loan Agreement, Debtor has agreed to execute this Agreement granting Secured Party a security interest in the Intellectual Property Collateral hereinafter defined; and

WHEREAS, Debtor has duly authorized the execution, delivery and performance of this Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor hereby agrees with Secured Party as follows:

1. **Grant of Security Interest.** In consideration of the premises and other valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, and in order to secure the repayment to Secured Party of all sums due pursuant to the Loan Agreement, Debtor hereby grants to Secured Party a continuing security interest in all of Debtor's right, title and interest in and to the following, wherever located and whether now owned or hereafter existing or now owned or hereafter acquired or arising:
 - (a) all of Debtor's right, title and interest in and to the trademark(s), trade name(s) and servicemark(s) listed on Schedule A hereto (as the same may be amended pursuant hereto from time to time) (collectively, the "**Trademarks**"), including, without limitation, all renewals thereof, all proceeds thereof (such as, by way of example, license royalties and proceeds of infringement suits), the right to sue for past, present and future infringements and all rights corresponding thereto throughout the world (all of the foregoing are collectively called the "**Trademark Rights**"), and the goodwill of the business to which the Trademarks relate (the "**Associated Goodwill**") (the Trademarks, the Trademark Rights, and the Associated Goodwill are collectively called the "**Trademark Collateral**").
 - (b) All patent rights, patents, patent applications, and licenses listed on Schedule A hereto, including, without limitation, all rights corresponding thereto throughout the world and all reissues, divisions, continuations, renewals, extensions and continuation-in-part thereof; and all cash and non-cash proceeds (such as, by way of example, license royalties and proceeds of infringement suits), substitutes,

replacements, accretions, accessions and products of any of the patent rights, patents, patent applications, and licenses listed on Schedule A hereto (collectively called the "**Patents**" or "**Patent Collateral**").

The Trademark Collateral and Patent Collateral are collectively referred to herein as the Intellectual Property Collateral ("**Intellectual Property Collateral**").

2. **Representations, Warranties and Covenants of Debtor.** Until all obligations of Debtor under this Agreement and the Loan Agreement have been fully satisfied and discharged, and except as hereinafter expressly set forth, Debtor warrants, represents and agrees as follows:

- (a) The Trademarks are subsisting and have not been adjudged invalid or unenforceable;
- (b) No current claim has been made to Debtor that the use of any United States Trademark does or may violate the rights of any third person;
- (c) Debtor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to the applications and registrations for the United States Trademarks, free and clear of any liens, charges and the encumbrances, including, without limitation, pledges, assignments, licenses, registered user agreements and covenants by Debtor not to sue third persons, except for Permitted Encumbrances (as defined in the Loan Agreement);
- (d) Debtor shall use, for the duration of this Agreement, the proper statutory notice in connection with its use of the Trademarks;
- (e) Debtor shall use for the duration of this Agreement, consistent standards of quality in its manufacture and/or sale of products sold under the Trademarks;
- (f) As of the day and year first above written, the Patents are subsisting and have not been adjudged invalid or unenforceable, in whole or in part;
- (g) Debtor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Patents, free and clear of any liens, charges and encumbrances, including, without limitation, encumbrances relating to pledges, assignments, licenses, shop rights and covenants by Debtor not to sue third persons, except for Permitted Encumbrances (as defined in the Loan Agreement);
- (h) Schedule A includes, without limitation, all patent applications and Patents in which Debtor holds an interest, which are assigned to Debtor and/or which are assignable to Debtor;
- (i) Debtor has the unqualified right to enter into this Agreement and perform its terms;
- (j) Debtor will not sell, assign, license or transfer the Intellectual Property Collateral or grant any other liens or security interests in the Intellectual Property Collateral

without the prior written consent of Secured Party, not to be unreasonably withheld;

- (k) Debtor will not use or permit the Intellectual Property Collateral to be used in violation of any law or ordinance, and will comply with the requirements of all state, local and Federal laws;
- (l) Accurate and complete copies of all books and records concerning the Intellectual Property Collateral shall at all times be located at 450 Dobbie Drive, Cambridge, Ontario, N1T 1S7; and
- (m) Debtor's name is as provided in the first paragraph hereof and it has no other names or trade names nor has it used any other names or trade names in the past five (5) years.

3. **Inspection Rights.** Debtor hereby grants to Secured Party and its employees, agents and designees the right, upon reasonable advance written notice and during normal business hours (except following the occurrence and continuation of an event of default, in which case the above-stated restrictions shall not apply), to visit Debtor's plants and facilities which manufacture, distribute or store products sold under the Trademarks, and to inspect the products and quality control records relating thereto. Debtor shall do any and all acts reasonably required by Secured Party to ensure Debtor's compliance with paragraph 2(e) hereof.

4. **Additional Trademarks.** If, before Debtor's obligations under the Loan Agreement shall have been satisfied in full, Debtor shall obtain rights to any registrations of any new trademark(s), trade name(s) or servicemark(s) or application(s) therefor, the provisions of paragraph 1 shall automatically apply thereto and Debtor shall give Secured Party prompt written notice thereof.

5. **Additional Patents.** If, before Debtor's obligations under the Loan Agreement shall have been satisfied in full, Debtor shall obtain rights to any patent rights, Patents, patent applications, and patent licenses, the provisions of paragraph 1 shall automatically apply thereto and Debtor shall give Secured Party prompt written notice thereof.

6. **Modification by Secured Party.** Debtor authorizes Secured Party to modify this Agreement by amending Schedule A to include (a) any future registrations of any trademark(s), trade name(s) or servicemark(s), or future application(s) therefor, and (b) any future patent rights, Patents, patent applications, and licenses covered by paragraphs 1, 4 and 5 hereof, without the signature of Debtor to the extent permitted by applicable law, subject to any factual limitation on Debtor's representations and warranties of which Debtor notifies Secured Party in writing.

7. **Grant of License to Secured Party.** Subject to Secured Party's maintaining standards of quality consistent with those of Debtor in connection with the Trademark Collateral, Debtor hereby presently grants to the Secured Party a license to use the Trademarks and the Associated Goodwill in connection with the Trademark Collateral effective upon and after the foreclosure upon, sale or other transfer of all or any part of the Trademark Collateral by or to Secured Party pursuant to any loan documents including this

Agreement. The license granted in this paragraph 7 may be transferred by Secured Party, without Debtor's consent, to any successor of Secured Party, any assignee of Secured Party, and/or any purchaser or other transferee of any or all of the Trademark Collateral.

8. **Rights of Debtor.** Unless and until there shall have occurred an event of default under this Agreement or the Loan Agreement, Debtor shall own the title to the Intellectual Property Collateral and shall have the exclusive, nontransferable right to use the Intellectual Property Collateral on and in connection with products sold, distributed or otherwise used by Debtor, for Debtor's own benefit and account and for none other. Without the prior written consent of the Secured Party, which consent shall not be unreasonably withheld, Debtor agrees not to sell or assign its interest in, or grant any license under the Intellectual Property Collateral, other than to the Secured Party hereunder. Notwithstanding anything else contained in this Agreement, the Debtor shall not, with the consent of the Secured Party, be required to maintain or pursue any Intellectual Property Collateral which the Debtor determines is no longer necessary or desirable for the carrying on of its business.
9. **Further Assurances.** Debtor agrees that at any time and from time to time, at the expense of Debtor, Debtor will promptly execute and deliver all further instruments and documents, and take all further action, that may be reasonably necessary, or that Secured Party may reasonably request, in order to perfect and protect the security interest and collateral assignment granted or purported to be granted hereby or to enable Secured Party to exercise its rights and remedies hereunder.
10. **Default.** Debtor shall be in default under this Agreement upon the occurrence of an Event of Default under the Loan Agreement.

Upon any and each and every such event of default and at any time thereafter, Secured Party may declare all obligations secured hereby immediately due and payable and may proceed to enforce payment of the same and exercise any and all rights and remedies possessed by Secured Party. Expense for preparing for sale or selling or exercising any other remedies as provided herein with respect to the Intellectual Property Collateral shall include Secured Party's reasonable attorney's fees and legal expenses. Any notification of sale or other disposition of the Intellectual Property Collateral required to be given by Secured Party will be sufficient if given personally, or mailed by certified mail, not less than five business days prior to the date on which such sale or other disposition will be made, to the address of Debtor stated above, and such notification shall be deemed reasonable notice. In the event the proceeds from the sale of the Intellectual Property Collateral shall be insufficient to satisfy Debtor's obligations pursuant to the Loan Agreement in full, Debtor shall remain fully liable for the deficiency.

11. **Term of Agreement.** This Agreement shall commence as of the day and year first above written and shall continue in full force and effect until all obligations of Debtor under this Agreement and the Loan Agreement have been paid in full. At such time as all of the obligations of Debtor under the this Agreement and the Loan Agreement shall be satisfied in full, this Agreement shall terminate and Secured Party shall execute and deliver to Debtor all instruments as may be necessary or proper to re-vest in Debtor full

and unencumbered title to the Intellectual Property Collateral, subject to any disposition thereof which may have been made by Secured Party pursuant hereto.


12. **Preservation of Intellectual Property Collateral.** Subject to paragraph 8 hereof, the Debtor shall have the duty, through counsel reasonably acceptable to the Secured Party, to do any and all acts which are reasonably necessary or desirable to preserve and maintain all rights in the Intellectual Property Collateral. Any expenses incurred in connection with the foregoing shall be borne by Debtor. Debtor shall not abandon any Trademarks or Patents without the prior written consent of the Secured Party, which consent shall not be unreasonably withheld. Debtor shall have the right, upon advance written notice to the Secured Party, to bring any opposition proceedings, cancellation proceedings or lawsuit in its own name to enforce or protect the Trademarks and Patents, in which event the Secured Party may, if necessary, be joined as a nominal party to such suit so long as the Secured Party is satisfied, in its sole determination, that such joinder will not subject it to any risk of liability. Debtor shall promptly, upon demand, reimburse and indemnify the Secured Party or all lenders for all damages, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by the Secured Party or any lender in the fulfillment of any provision of this paragraph 12.
13. **Secured Party Appointed Attorney-In-Fact.** Debtor hereby authorizes and empowers Secured Party, upon and during the continuation of an event of default, to make, constitute and appoint any officer or agent of Secured Party as the Secured Party may select, in its exclusive discretion, as Debtor's true and lawful attorney-in-fact, with the power to endorse Debtor's name on all applications, documents, papers and instruments necessary for the Secured Party to use the Trademarks, Patents or the other Intellectual Property Collateral, or to grant or issue any exclusive or non-exclusive license under the Intellectual Property Collateral to the Secured Party or anyone else, or necessary for the Secured Party to assign, pledge, convey or otherwise transfer title in or dispose of the Intellectual Property Collateral to anyone else. Debtor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable for the life of this Agreement.
14. **Secured Party May Act.** If Debtor fails to comply with any of its obligations hereunder, the Secured Party may do so in Debtor's name or in Secured Party's name to the extent permitted by applicable law, but at Debtor's expense, and Debtor hereby agrees to reimburse the Secured Party in full for all reasonable expenses, including, without limitation, reasonable attorneys fees, incurred by the Secured Party in protecting, defending or maintaining the Intellectual Property Collateral or any part thereof.
15. **No Waiver.** No course of dealing between Debtor and the Secured Party, nor any failure to exercise, nor any delay in exercising, on the part of the Secured Party, any right, power or privilege hereunder, under the Loan Agreement or under applicable law shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.
16. **Assignment of Security Interest.** Secured Party shall have the right to negotiate or assign the security interest evidenced by this Agreement, and Debtor understands and

agrees that Secured Party may do so without any notice to or approval of Debtor. Debtor specifically agrees that if there is any such assignment, the assignee or transferee shall have all of Secured Party's rights, remedies and obligations under this Agreement.

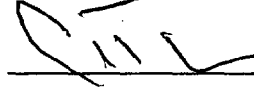
17. **Rights Cumulative.** All of the Secured Party's rights and remedies with respect to the Intellectual Property Collateral, whether established hereby or by the Loan Agreement, or by any other agreements or by law, shall be cumulative and may be exercised singularly or concurrently.
18. **Severability.** The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, 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.
19. **Modification.** This Agreement is subject to modification only by a writing signed by, the parties, except as provided in paragraph 6.
20. **Inurement.** The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties; provided however, that the foregoing provision shall not invalidate or otherwise modify the restrictions imposed on Debtor hereunder with respect to transferring any part of or interest in the Intellectual Property Collateral.
21. **Governing Law and Venue.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein without giving effect to any choice of law rules thereof. Debtor hereby consents to the jurisdiction of the courts located within the Province of Ontario, and waives personal service of any and all process upon it and consents that all such service of process be made by certified or registered mail directed to Debtor at its address set forth herein and service so made shall be deemed to be completed upon actual receipt thereof. Debtor waives any objection to jurisdiction and venue of any action instituted against it as provided herein and agrees not to assert any defense based on lack of jurisdiction or venue.
22. **Waiver.** Debtor hereby waives any right to trial by jury (which Secured Party also waives) in any action, suit, proceeding or counterclaim of any kind arising out of or relating to this Agreement.
23. **Precedence.** In the event that any provisions of this Agreement contradict and are otherwise incapable of being construed in conjunction with the provisions of the Loan Agreement, the provisions of the Loan Agreement shall take precedence over those contained in this Agreement and, in particular, if any act of the Debtor is expressly permitted under the Loan Agreement, but is prohibited under this Agreement, any such act shall be deemed to be permitted under this Agreement.

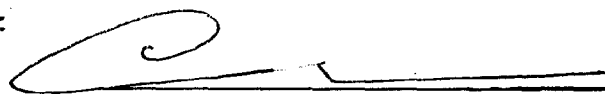
IN WITNESS WHEREOF, the parties have caused this Security Agreement to be executed as of the day and year first above written.

THE CAMBRIDGE TOWEL CORPORATION

Per: 
Name: DENNIS MOREAN
Title: SENIOR VP FINANCE

**LASALLE BUSINESS CREDIT, A DIVISION OF
ABN AMRO BANK N.V., CANADA BRANCH**

Per: 
Name: Aaron Turner
Title: First Vice President

Per: 
Name: D. Keith Hughes
Title: S.V.P., Asset Based Lending

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