

Form PTO-1594  
(Rev. 03/01)  
OMB No. 0651-0027 (exp. 5/31/2002)  
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### RECORDATION FORM COVER SHEET TRADEMARKS ONLY

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):

FACES COSMETICS GROUP INC.

- Individual(s)
- General Partnership
- Corporation-State
- Other \_\_\_\_\_
- Association
- Limited Partnership

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

2. Name and address of receiving party(ies)

Name: Credit Union Central of Ontario Limited

Internal

Address: \_\_\_\_\_

Street Address: 2810 Matheson Boulevard East

Mississauga, ON, Canada L4W 4X7

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

- Individual(s) citizenship \_\_\_\_\_
- Association \_\_\_\_\_
- General Partnership \_\_\_\_\_
- Limited Partnership \_\_\_\_\_
- Corporation-State Ontario, Canada
- Other \_\_\_\_\_

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

3. Nature of conveyance:

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

Execution Date: 09/14/2002

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

A. Trademark Application No. (s) \_\_\_\_\_  
75/761,647;

B. Trademark Registration No. (s) \_\_\_\_\_  
2,537,731; 1,827,131; 1,377,794

Additional number(s) attached  Yes  No

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

Name: Linda S. Chan

Internal Address: \_\_\_\_\_

Docket No.: PARR 16.347; 16.877A; 17.122; 17.373

Street Address: Katten Muchin Zavis Rosenman  
575 Madison Avenue

City: New York State: NY Zip: 10022-2585

6. Total number of applications and registrations involved: \_\_\_\_\_

**4**

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

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

50-1290

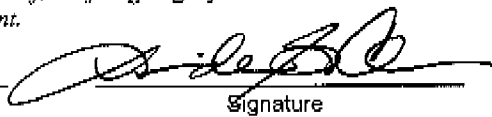
(Attach duplicate copy of this page if paying by deposit account)

**DO NOT USE THIS SPACE**

9. 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.*

Linda S. Chan  
Name of Person Signing

  
Signature

February 5, 2003  
Date

Total number of pages including cover sheet, attachments, and document: **13**

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

**RECORDATION FORM COVER SHEET  
(CONTINUATION)**

2. (continuation) Additional Receiving Party

Motor City Community Credit Union Limited  
2255 Cadillac Street  
Windsor, Ontario  
Canada N8W 3Y2

A Corporation of Ontario, Canada

## SECURITY AGREEMENT (INTELLECTUAL PROPERTY) - CANADA

### A. OBLIGATIONS SECURED

1. The undersigned, **FACES COSMETICS GROUP INC.**, a company incorporated under the laws of the Province of Ontario (hereinafter called the "**Debtor**"), hereby enters into this Security Agreement with **CREDIT UNION CENTRAL OF ONTARIO LIMITED** and **MOTOR CITY COMMUNITY CREDIT UNION LIMITED** (collectively, the "**Lender**") for valuable consideration and as security for the payment of all present and future indebtedness of the Debtor to the Lender and interest thereon and for the payment and discharge of all other present and future liabilities and obligations, direct or indirect, absolute or contingent, joint or several, of the Debtor to the Lender whether as principal or surety (all such indebtedness, interest, liabilities and obligations being hereinafter collectively called the "**Obligations**"). Insofar as it affects personal property located in Ontario, this Security Agreement is governed by the *Personal Property Security Act* (Ontario) (the "**Act**").

### B. GRANT OF MORTGAGES, CHARGES AND SECURITY INTERESTS

2. As security for the payment and performance of the Obligations, the Debtor hereby:

- (a) assigns, transfers and conveys to the Lender and grants to the Lender a security interest in all of its present and future intellectual property including without limitation, (i) copyrights, (ii) patents, (iii) trade-marks, trade names, business names, trade styles, logos and all other forms of business identifiers, and (iv) trade secrets and other confidential information and data in any form or format, including without limitation, all know-how obtained, developed or used in or contemplated at any time for use in the business, affairs, undertaking and operations of the Debtor now or hereafter owned generated or acquired, including in each instance all related additions, improvements and accessories thereto and replacements thereof (hereinafter referred to as the "**Intellectual Property Collateral**") (whether registered or unregistered) including without limitation the intellectual property described in Exhibit "A" hereto; and
- (b) assigns, mortgages and charges in favour of the Lender and grants to the Lender a security interest in the proceeds arising from any of the assets referred to in clause 2(a).

For the purposes of this Security Agreement, the Intellectual Property Collateral, proceeds and all other property and assets of the Debtor referred to in this clause 2 are hereinafter collectively called the "**Collateral**". For greater certainty, the Collateral is hereby assigned, transferred and conveyed by the Debtor in favour of the Security Party as security only, and not absolutely.

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C. AGREEMENTS OF THE DEBTOR

3. The Debtor and the Lender agree that they have not agreed to postpone the time for attachment of the security interests granted hereby with respect to presently existing Collateral of the Debtor and that such security interests shall attach to the Collateral acquired after the date hereof as soon as the Debtor has rights in such Collateral.

4. The Debtor agrees with the Lender that, until the Obligations have been satisfied or paid in full:

- (a) it will not, without the prior written consent of the Lender create or suffer to exist any liens upon or assign or transfer as security or pledge or hypothecate any of the Collateral except to the Lender and except for such purchase-money security interests and other encumbrances (collectively, the "Permitted Encumbrances") referred to in Exhibit "B" hereto; and
- (b) it will:
  - (i) hold the proceeds received from any direct or indirect dealing with the Collateral in trust for the Lender;
  - (ii) keep the then existing Collateral in good repair, working order and condition according to the nature and description thereof, and the Lender may, whenever it deems necessary, either in person or by agent, enter upon the property of the Debtor and inspect the Collateral and the right, title and interest of the Debtor in and to the Intellectual Property Collateral;
  - (iii) make all necessary filings, registrations and other recordations to protect the interest of the Debtor in the Collateral, including without limitation recordations of all its interests in all patents, trade-marks, and copyrights comprised in the Intellectual Property Collateral;
  - (iv) perform all covenants required under any third party agreement, including, inter alia, promptly paying all required fees, royalties and taxes, to maintain each and every item of Intellectual Property Collateral in full force and effect throughout as applicable;
  - (v) maintain all necessary filings, registrations and other recordations relating to any of the Intellectual Property Collateral, including without limitation, timely payment of any renewal and/or maintenance fees;
  - (vi) vigorously protect, preserve and maintain all of the right, title and interest of the Debtor in the Intellectual Property Collateral, including without

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limitation, the duty to prosecute and/or defend against any and all suits concerning validity, infringement, enforceability, ownership or other aspects affecting any of the Intellectual Property Collateral (any expenses incurred in protecting, preserving and maintaining any of the Intellectual Property Collateral shall be borne by the Debtor);

- (vii) upon written request by the Lender, execute and deliver any and all agreements, instruments, documents and papers as the Lender may reasonably request to evidence the security interest of the Lender in the Collateral, including without limiting the foregoing, the Intellectual Property Collateral;
- (viii) refrain from selling, assigning, disposing, licensing or otherwise transferring to any third party any of the right, title or interest of the Debtor in any of the Collateral, including without limitation, the Intellectual Property Collateral other than in the normal course of the business of the Debtor;
- (ix) refrain from either directly or indirectly filing any application for registration affecting any of the Intellectual Property Collateral without the prior written consent of the Lender;
- (x) strictly comply with every covenant and undertaking given by it to the Lender; and
- (xi) comply with valid requirements of any governmental authority pertaining to the operation by the Debtor of its business.

5. The Debtor hereby represents and warrants to the Lender (which representations and warranties shall survive until the Obligations have been completely performed and discharged) that:

- (a) all registrations and applications for registration in respect of the Intellectual Property Collateral including all relevant renewals have been duly and properly made, are in full force and effect and are not subject to any material dispute by any governmental authority or agency and all material leases, licenses, and other agreements affecting any of the right, title or interest of the Debtor in any of the Intellectual Property Collateral (collectively "**Third Party Agreements**") are in good standing;
- (b) the Debtor owns directly or is entitled to use by license or otherwise all patents, trade-marks, trade secrets, copyrights, licenses, technology, know-how, processes and other information and rights with respect to the Collateral, including the Intellectual Property Collateral;
- (c) the Debtor has made all necessary filings, registrations and recordations to protect all of its right, title and interest in the Intellectual Property Collateral, including without

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limitation, recordings of all such rights, title and interest in related patents, trade-marks and copyrights;

- (d) to the best of knowledge of the Debtor, no material litigation is pending or threatened which contains allegations respecting the validity, enforceability, infringement or ownership of any of the Intellectual Property Collateral, including without limitation, any of right, title or interest of the Debtor in the Intellectual Property Collateral;
- (e) Exhibit "A" lists all of the registered present intellectual property of the Debtor, including without limitation, all registered patents, trademarks and copyrights of the Debtor; and
- (f) none of the Obligations nor the granting of the Security Interest by the Debtor in favour of the Lender constitutes a breach under any third party agreement.

6. The Debtor hereby agrees that it will at all times, both before and after the occurrence of an Event of Default, do or cause to be done such additional things and execute and deliver or cause to be executed and delivered all such further acts and documents as the Lender may reasonably require for the better mortgaging, charging, transferring, assigning, confirming and granting of security interests in the present or future Collateral to the Lender.

#### D. DEFAULT

7. The Obligations shall, at the option of the Lender, become payable and the security granted pursuant to this Security Agreement shall become enforceable upon the occurrence of any one or more of the following events (an "Event of Default"):

- (a) the Debtor defaults in the payment or performance of any of the Obligations; or
- (b) the Debtor ceases, or threatens to cease, to carry on business; the Debtor makes a general assignment for the benefit of creditors; or any proceeding or filing is instituted or made by the Debtor or by any third party to adjudicate the Debtor a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of the Debtor or its debts under any law relating to bankruptcy, insolvency or relief of debtors (including, without limitation, the *Bankruptcy and Insolvency Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada)), or seeking the appointment of a receiver, trustee, liquidator, custodian or other similar official for the Debtor or for any of its assets; provided that any such proceeding brought against the Debtor by a third party shall not be considered an Insolvency Event if and for so long as the Debtor is diligently contesting such proceeding in good faith and on reasonable grounds.

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8. The Lender may in writing (and not otherwise) waive any breach by the Debtor of any of the provisions contained in this Security Agreement or any default by the Debtor in the observance or performance of any provision of this Security Agreement; provided always that no waiver by the Lender shall extend to or be taken in any manner whatsoever to affect any subsequent breach or default, whether of the same or a different nature, or the rights resulting therefrom.

E. REMEDIES OF THE LENDER

9. Whenever the security granted pursuant to this Security Agreement shall have become enforceable, and so long as it shall remain enforceable, the Lender may proceed to realize such security and to enforce its rights by:

- (a) the appointment by instrument in writing of a receiver or receivers of the Collateral or any part thereof (which receiver or receivers may be any person or persons, whether an officer or officers or employee or employees of the Lender or not and the Lender may remove any receiver or receivers so appointed and appoint another or others in his or their stead);
- (b) proceedings in any court of competent jurisdiction for the appointment of a receiver or receivers or for sale of the Collateral or any part thereof;
- (c) any other action, suit, remedy or proceeding authorized or permitted hereby or by law or by equity;
- (d) exercising all of the Debtor's rights under all licenses, contracts, agreements or other instruments in writing relating to the Collateral as fully and effectually as if the Lender were the absolute owner thereof;
- (e) commencing legal proceedings for and on behalf of and in the name of the Lender and at the expense of the Debtor in order to enforce the rights of the Debtor under any licenses, contracts, agreements, or other instruments in writing which may relate to the Collateral.

10. In addition, the Lender may file such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding-up or other judicial proceedings relating to the Debtor.

11. Any receiver or receivers so appointed shall have power to:

- (i) take possession of and to use the Collateral or any part thereof;
- (ii) borrow money required for the maintenance, preservation or protection of the Collateral or any part thereof or the carrying on of the business of the Debtor;

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- (iii) further charge the Collateral in priority to the security interests of this Security Agreement as security for money so borrowed; and
- (iv) sell, lease or otherwise dispose of the whole or any part of the Collateral on such terms and conditions and in such manner as the receiver shall determine.

The Lender shall not be responsible for any actions or errors of omission by the receiver or receivers in exercising any such powers.

12. The Lender may use and possess the Collateral or any part thereof, free from all encumbrances, liens and charges, except Permitted Encumbrances, without hindrance, interruption or denial of the same by the Debtor or by any other person or persons and may lease or sell the whole or any part or parts of the Collateral. Any sale hereunder may be made by public auction, by public tender or by private contract, without notice to the Debtor and with or without advertising and without any other formality (except as required by law), all of which are hereby waived by the Debtor to the fullest extent permitted by applicable law. Such sale shall be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as to the Lender in its sole discretion may seem advantageous. Such sale may take place whether or not the Lender has taken possession of the Collateral.

13. The Debtor agrees to pay to the Lender forthwith on demand all reasonable expenses incurred by the Lender in the preparation, perfection, administration and enforcement of this Security Agreement (including without limitation expenses incurred in considering and protecting or improving the position of the Lender, or attempting to do so, whether before or after the occurrence of an Event of Default), all amounts borrowed by the receiver from the Lender as hereinbefore provided and all reasonable costs, charges, expenses and fees (including, without limiting the generality of the foregoing, the fees and expenses of any receiver and legal fees on a solicitor and client basis) of or incurred by the Lender and by any receiver or receivers or agent or agents appointed by the Lender in connection with the recovery or enforcing of payment of any moneys owing hereunder, whether by realization, by taking possession or otherwise. All such sums, together with interest thereon at the rate applicable to the Obligations, shall form part of the Obligations and shall be secured by the security interests granted herein.

14. No remedy for the realization of the security interests granted herein or for the enforcement of the rights of the Lender shall be exclusive of or dependent on any other such remedy, but any one or more of such remedies may from time to time be exercised independently or in combination. The term "receiver" as used in this Security Agreement includes a receiver and manager.

15. Any and all payments made in respect of the Obligations from time to time and moneys realized from any securities held therefor (including moneys realized on any enforcement of this Security Agreement) may be applied to such part or parts of the Obligations as the Lender may see



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fit, and the Lender shall at all times and from time to time have the right to change any appropriation as the Lender may see fit.

F. RIGHTS OF THE LENDER

16. The Lender may pay and satisfy the whole or any part of any liens, taxes, rates, charges or encumbrances now or hereafter existing in respect of any of the Collateral and such payments together with all reasonable costs, charges and expenses which may be incurred in connection with making such payments shall form part of the Obligations and shall be secured by the security interests granted herein. In the event of the Lender satisfying any such lien, charge or encumbrance, it shall be entitled to all the equities and securities of the person or persons so paid and is hereby authorized to obtain any discharge thereof and hold such discharge without registration for so long as it may deem advisable to do so.

17. The Debtor grants to the Lender the right to set off against any and all accounts, credits or balances maintained by it with the Lender, the aggregate amount of any of the Obligations.

18. The Lender, without exonerating in whole or in part the Debtor, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and any or all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from, and may otherwise deal with the Debtor and all other persons and securities as the Lender may see fit.

19. Nothing herein shall obligate the Lender to extend or amend any credit to the Debtor.

20. The Debtor hereby irrevocably constitutes and appoints the Lender and each of its directors, officers, employees, agents and representatives as the true and lawful attorney of the Debtor with power of substitution in the name of the Debtor to do, upon the occurrence of an Event of Default hereunder, to do any and all such acts and things or execute and deliver all such agreements, documents and instruments as the Lender, in its sole discretion, considers necessary or desirable to carry out the provisions and purposes of this agreement, or to exercise any of its rights and remedies hereunder, and the Debtor hereby ratifies and agrees to ratify all acts of any such attorney taken or done in accordance with this section.

G. MISCELLANEOUS

21. If one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

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22. Upon payment by the Debtor, its successors or permitted assigns, and the fulfilment of all the Obligations and provided that the Lender is then under no obligation (conditional or otherwise) to make any further loan or extend any other type of credit to the Debtor, the Lender shall, upon request in writing by the Debtor, delivered to the Lender at its principal office in Toronto, Ontario, Canada and at the Debtor's expense, discharge and release this Security Agreement.

23. This Security Agreement shall be construed in accordance with and be governed by the laws of the Province of Ontario. For the purpose of legal proceedings, this Security Agreement shall be deemed to have been made in the said Province and to be performed therein and the courts of that Province shall have jurisdiction over all disputes which may arise under this Security Agreement. The Debtor hereby irrevocably and unconditionally submits to the non-exclusive jurisdiction of such courts, provided always that nothing herein contained shall prevent the Lender from proceeding at its election against the Debtor in the courts of any other province, country or jurisdiction.

24. The headings in this Security Agreement are included for convenience of reference only, and shall not constitute a part of this Security Agreement for any other purpose.

25. This Security Agreement is in addition to and not in substitution for any other security now or hereafter held by the Lender and shall be general and continuing security notwithstanding that the Obligations shall be at any time or from time to time fully satisfied or paid.

26. This Security Agreement and all its provisions shall enure to the benefit of the Lender, its successors and assigns, and shall be binding on the Debtor, its successors and permitted assigns.

27. Any notice hereunder required or permitted to be given by the Lender to the Debtor shall be deemed to have been received by the Debtor (i) if sent by prepaid private courier, on the business day after the sending thereof, or (ii) if sent by fax, upon the business day of sending thereof if such fax was sent on or before 5:00 p.m. on such business day, and otherwise on the following business day, addressed as follows:

FACES COSMETICS GROUP INC.  
30 Macintosh Blvd.  
Unit 6  
Vaughan, Ontario  
L4P 4P1

Attention: Ramesh Jolly  
Fax no. (905) 760-7631

As used herein, the term "**Business Day**" means a day (other than a Saturday or Sunday) on which the Lender is open for business in Toronto, Ontario. Notice may also be given by the Lender to the Debtor in any other manner, provided that the Lender shall have the burden of proving that such notice was received by the Debtor.

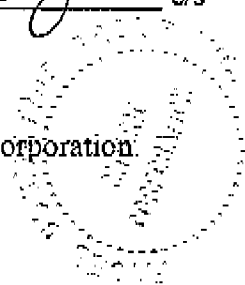
28. In construing this Security Agreement, terms herein shall have the same meaning as defined in the Act, unless the context otherwise requires. The personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used. The term "successors" shall include, without limiting its meaning, any corporation resulting from the amalgamation of a corporation with another corporation and, in the case of the Debtor, any new partnership resulting from the admission of new partners or any other change in the Debtor, including, without limiting the generality of the foregoing, the death of any or all of the partners thereof.

IN WITNESS WHEREOF this Security Agreement has been executed by the Debtor this *14* of *Sept*, 2002.

**FACES COSMETICS GROUP INC.**

Per: *Ramesh Jolly* c/s  
Name: Ramesh Jolly  
Title: President

I have authority to bind the corporation



**EXHIBIT "A"****Certain Intellectual Property Assets  
(Security Agreement, subclause 2(a))****REGISTERED OWNER: FACES COSMETICS GROUP INC.****Canada**

<u>Client Title</u>	<u>City</u>	<u>Serial No</u>	<u>Regn No</u>
HOUSE OF FACES	CA	495242	284256
PIERRE DESIGN	CA	457128	259767
SHARP DISGUISE	CA	507547	293150
THE MAKEUP FACTORY	CA	510460	295703
QUICK DIP & DESIGN	CA	512630	296649
COSMETIQUE EXPRESS	CA	507481	294787
MASQUERADE	CA	547910	320836
MASQUERADE & DESIGN	CA	547911	320968
FACES PLUS	CA	547912	329646
FACES PLUS & DESIGN	CA	547913	329647
FACES DESIGN	CA	453329	252551
COLOR RICH	CA	557475	349261
MOBILE KIOSK CART DESI	CA	524755	356615
FACES GREAT COLOURS	CA	666366	394826
FACES GREAT COLOURS	CA	666241	403848
FACES GREAT COLOURS	CA	622898	415104
F DESIGN	CA	1027349	535854
FACES-COSMETICS.COM	CA	897549	528717
F FACES DESIGN	CA	1012607	
F FACES & DESIGN	US	75/76164	
F DESIGN	US	75/92856	2537731
FACES GREAT COLOURS	US	74/08632	1887657
FACES DESIGN	US	74/08632	1827131
QUICK DIP	US	73/50025	1377794
FACES-COSMETICS.COM	US	75/79464	
FACES.COM	US	76/12978	
FACES & DESIGN	MX	379303	633067
F FACES & DESIGN	MX	402903	642200
FACES	MX	153345	432269
FACES & DESIGN	MX	153346	432270
F FACES & DESIGN	MX	402904	673049
FACES DESIGN	IL	135075	
FACES DESIGN	IL	135076	
F DESIGN	IL	135073	
F DESIGN	IL	135074	

**TRADEMARK**  
**REEL: 2606 FRAME: 0222**

**EXHIBIT "B"**

**Permitted Encumbrances**  
(Security Agreement, paragraph 6(a)(ii))

Encumbrances as may be specifically agreed to in writing by the Lender from time to time.

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