

02-26-2003

2 SHEET

Docket No.:

ONLY



102373069

Tab settings

To the Honorable Commissioner

Record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Images.com

2-5-03

- Individual(s)
- General Partnership
- Corporation-State **New York**
- Other

- Association
- Limited Partnership

Additional names(s) of conveying party(ies) Yes No

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

Name: Kenneth L. Fadner

Internal Address:

Street Address: 145 Pipers Hill Road

City: Wilton State: CT ZIP: 06897

Individual(s) citizenship United States

Association

General Partnership

Limited Partnership

Corporation-State

Other

If assignee is not domiciled in the United States, a domestic designation is Yes No

(Designations must be a separate document from

Additional name(s) & address(es) Yes No

3. Nature of conveyance:

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

Execution Date: January 3, 2003

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

~~1,862,867~~ ~~2,383,085~~

1,860,099

2,382,667

Additional numbers Yes No

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

Name: Tucker & Latifi, LLP

Internal Address:

Street Address: 160 East 84th Street

Suite 5-E

City: New York State: NY ZIP: 10028

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:

02/26/2003 LMUELLER 00000059 1862867

DO NOT USE THIS SPACE

01 FC:8521

40.00 OP

02 FC:8522

75.00 OP

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.

Afschineh Latifi, Esq.

Name of Person Signing

Signature

February 3, 2003

Date

Total number of pages including cover sheet, attachments, and

4

SECURITY AGREEMENT

THIS AGREEMENT (the "Agreement"), made as of the 3RD day of January, 2003, between **IMAGES.COM.**, a New York corporation having its principal office at 16 West 19th Street, New York, New York 10011 ("Debtor"), and **KENNETH L. FADNER** ("Fadner") residing at 145 Pipers Hill Road, Wilton Connecticut 06897 (collectively the "Secured Party").

WITNESSETH:

WHEREAS, Secured Party has agreed to make a loan to Debtor in the maximum amount of Five Hundred Thousand (\$500,000.00) Dollars.

WHEREAS, the loan shall be evidenced by a term loan note in the amount of Two Hundred Fifty Thousand (\$250,000.00) Dollars and a line of credit note in the maximum amount of Two Hundred Fifty Thousand (\$250,000.00) Dollars (the "Notes"); and

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

1. **Security Interest.** During the term of this Agreement as set forth in Section 3 below, Debtor grants to Secured Party a continuing security interest in Debtor's cash, Accounts Receivable, inventory, furniture and fixtures, computer and camera equipment, general equipment, artwork, computer software, copyrights, patents, trademarks, trade secrets, publication rights, licenses and other general intangibles and all additions thereto and substitutions therefor, the proceeds and products thereof (collectively, the "Collateral").

2. **Obligations Secured.** The security interest granted hereby is to secure payment and performance of all debts, liabilities and obligations of Debtor to Secured Party of every kind and description, direct and indirect, absolute or contingent, due or to become due, now existing or hereafter arising (all hereinafter called "Obligations"), including, without limiting the generality of the foregoing:

(a) Debtor's obligations to Secured Party for payment of principal and

interest in accordance with the Notes; and

(b) All fees, charges and expenses, including expenses of Secured Party's counsel, described in Section 10 hereof.

3. **Term.** The term of this Agreement shall commence on the date hereof and continue in full force and effect and be binding upon Debtor until all Obligations shall have been fully paid and satisfied, discharged and/or fulfilled, and until then, Secured Party shall be entitled to retain the security interest granted hereby in all Collateral.

4. **Representations and Warranties of Debtor.** Debtor represents and warrants that :

(a) Debtor is incorporated in the State of New York.

(b) Debtor has full authority and power to execute and to perform this Agreement in accordance with its terms; the security interest granted hereby will not result in a breach, violation or default or give rise to an event which, after the passage of time, would result in a breach, violation or default of any of the terms or provisions of Debtor's charter or by-laws or of any indenture, agreement, judgment, decree or other instrument or restriction to which Debtor is a party or by which Debtor may be bound; this Agreement and the security interest granted hereby have been duly authorized by all requisite action of Debtor and no further authorization or approval, whether of the shareholders or directors of Debtor or governmental bodies or otherwise, is necessary in order to enable Debtor to enter into and perform the same; and this Agreement and the security interest granted hereby constitute valid, enforceable obligations of Debtor.

5. **Covenants of Debtor.** For the term of this Agreement:

(a) Debtor will not sell, assign, or dispose of the Collateral to any other party nor create or permit to be created any lien, encumbrance or security interest of any kind on the Collateral other than for the benefit of Secured Party, unless accomplished by Secured Party for the account of Debtor or unless authorized by Secured Party. Debtor will defend the Collateral against the claims or demands of all persons claiming any interest therein. Secured Party acknowledges that his security interest in the Collateral shall be subordinate to the security interest granted to MCG Capital Corporation.

(b) Debtor will promptly notify Secured Party in writing of any change in the location of its principal place of business.

(c) Debtor will maintain its existence in good standing.

(d) Debtor will promptly and duly pay all applicable taxes assessed against it or payable by it, at such times and to the extent necessary to prevent any lien or charge from attaching to any of the Collateral.

(e) This Agreement may but need not be supplemented by separate assignments and, if such assignments are given, the rights and security interests given thereby shall be in addition to and not in limitation of the rights and security interests given by this Agreement.

(f) Debtor further acknowledges that its representations, warranties and covenants herein are continuing, and in the event that any such representation, warranty or covenant is no longer true, correct or able to be performed, Debtor shall immediately notify Secured Party in writing.

6. **Financing Statements.** Debtor hereby agrees and authorizes Secured Party to prepare and file any financing statement, or other notices appropriate under applicable law, in respect of the security interest created pursuant to this Agreement which may at any time be required or which, in the opinion of Secured Party, may at any time be desirable. In the event that any re-recording or re-filing thereof (or the filing of any statements of continuation or assignments of any financing statement) is required to protect and preserve such lien or security interest, Secured Party shall cause the same to be re-recorded and/or refiled.

7. **Events of Default.** Upon the occurrence of any one of the following events (referred to as an "Event of Default"):

(a) Failure by Debtor in the due observance or performance of any covenant or agreement contained herein, or breach by Debtor of any representation or warranty herein contained;

(b) Breach by Debtor of any Obligation to Secured Party; or

(c) Dissolution, termination of existence, insolvency or business failure of Debtor, appointment of a receiver for any portion of Debtor's property, the making by Debtor of an assignment or trust mortgage for the benefit of its creditors or the commencement of any proceeding under any bankruptcy or insolvency laws of any state or of the United States by or against Debtor; then in each such case, Secured Party shall

have and enjoy all remedies provided herein, including those remedies set forth in Section 8 below.

8. **Remedies Upon Event of Default.** If any Event of Default shall have occurred, Secured Party may exercise, without presentment, demand, notice, hearing, protest or advertisement of any kind, all the rights and remedies of a secured party under the Uniform Commercial Code (whether or not the Uniform Commercial Code is in effect in the jurisdiction where such rights and remedies are exercised) and, in addition, Secured Party shall be deemed in possession of the Collateral and shall be empowered to sell or otherwise dispose of the Collateral to third persons or associations or to itself without being liable to Debtor on account of any losses that may occur as a result thereof so long as Secured Party shall act reasonably and in good faith; and at Secured Party's option and without notice to Debtor (except as specifically herein provided), Secured Party may sell, assign and deliver the Collateral, at public or private sale, for cash, upon credit, or for future delivery, at such prices and upon such terms as Secured Party deems advisable, provided any and all such actions are reasonable. Secured Party shall give Debtor at least ten (10) days' notice by hand delivery at, or by the United States first-class mail with postage prepaid (in which event notice shall be deemed to have been given when so deposited in the mail) to, Debtor's address specified on the first page hereof of the time and place of any public or private sale or other disposition, unless the Collateral threatens to decline speedily in value. Such notice shall constitute "reasonable notification" within the meaning of Section 9-504(3) of the Uniform Commercial Code. It is expressly understood that Secured Party may buy the Collateral at a public sale. At such a sale, Debtor may become the purchaser of the whole or any part of the Collateral, discharged from all claims and free from any right of redemption. In case of any such sale by Secured Party of the Collateral on credit or for future delivery, the Collateral may be retained by Secured Party until the selling price is paid by the purchaser. Secured Party shall incur no liability in case of the failure of the purchaser to take up and pay for the Collateral so sold. In case of any such failure, the Collateral may again be sold. Debtor hereby appoints Secured Party and its agents as Debtor's attorney-in-fact to endorse, sell, assign or otherwise deal with the Collateral in its own name or in the name of Debtor upon default subject to the notice requirement provided in this Section. This power of attorney is coupled with an interest and is irrevocable for the term of this Agreement.

9. **Application of Proceeds Upon Sale of Collateral.** In the case of any sale or disposition of the Collateral, or the realization of funds therefrom, the proceeds thereof shall be applied in the following order of priority:

(a) To pay the expenses of such sale, commissions, attorneys' fees and all charges paid or incurred by Secured Party pertaining to said sale, including any taxes or other charges imposed by law upon the Collateral and/or the owning, holding or transferring thereof;

(b) To pay, satisfy and discharge the Obligations in such manner as Secured Party, in its sole discretion, shall determine;

(c) To pay the surplus, if any, to Debtor or to any junior secured creditor of the Collateral, or as a court of competent jurisdiction may direct. To the extent such proceeds do not satisfy the foregoing items, Debtor hereby promises and agrees to pay any deficiency.

10. **Debtor's Obligation to Pay Expenses of Secured Party.** Upon default, Debtor agrees to pay all expenses and all costs of collection and foreclosure incurred by Secured Party in connection with the enforcement of the security interest granted hereby and representation in any litigation, including any bankruptcy or insolvency proceedings. All such expenses shall constitute part of the obligations secured hereby.

11. **Termination of Security Interest.** Upon the payment and performance in full of all the Obligations, the security interest of Secured Party hereunder shall terminate and all rights to the Collateral subject to this Agreement shall revert to Debtor, subject to any rights of any junior secured creditors. Upon any such termination, Secured Party will execute and deliver to Debtor such documents as Debtor may reasonably request to evidence the termination of the security interest hereunder in the Collateral.

12. **Waivers, Non-Exclusive Remedies.** No failure on the part of Secured Party to exercise, and no delay in exercising, and no course of dealing with respect to, any right, power or remedy under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise by Secured Party of any right, power or remedy under this Agreement preclude any other right, power or remedy. The remedies in this Agreement are cumulative and are not exclusive of any other remedies provided by law.

13. **Amendments and Modifications.** This Agreement and any provision hereof may be amended, waived, modified or terminated only by a written document signed by the party against which enforcement of the amendment, waiver, modification or termination is sought.

14. **Successors and Assigns.** Secured Party has the right and power to assign this Agreement without the Debtor's consent. No rights of Debtor hereunder may be assigned without the prior written consent of Secured Party. All rights of Secured Party under this Agreement shall inure to the benefit of its successors and assigns; and all obligations of Debtor hereunder shall bind its successors and permitted assigns.

15. **Consent to Jurisdiction of New York Law; Meaning of Terms.**

(a) This Agreement shall be governed and enforced in accordance with the internal laws of the State of New York, without giving effect to the principals of conflict of laws, except as otherwise required by and mandatory provisions of law. Unless otherwise defined herein or unless the context otherwise requires, all terms used herein which are defined in the New York Uniform Commercial Code have the meanings therein stated.

(b) Debtor, to the extent that it may lawfully do so, hereby submits to the jurisdiction of the courts of the State of New York and the United States District Court for the State of New York as well as to the jurisdiction of all courts from which an appeal may be taken from the aforesaid courts, for the purpose of any suit, action or other proceeding arising out of any of Debtor's obligations under or with respect to this Agreement, and expressly waives any and all objections it may now or hereafter have as to venue in any of such courts. Debtor also waives trial by jury in any civil action commenced by or against Debtor with respect to this Agreement.

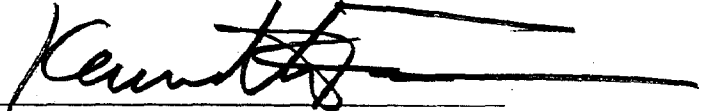
16. **Notice.** Except as otherwise specifically provided herein, any notice required or permitted hereunder shall be in writing and shall be duly given to any party if hand-delivered or if mailed via registered or certified, postage prepaid, return receipt requested, to the address set forth on the first page of this Agreement or to such other address as may be specified by notice similarly given in writing to the other party by the party changing such address. Such notice shall be deemed to have been given on the date received if so hand-delivered or the date indicated as having been received if mailed.


17. **Severability.** If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction in order to carry out the intentions of the parties hereto as nearly as may be possible; and the invalidity or unenforceability of any provision hereof in any jurisdiction shall not effect the validity or enforceability of such provision in any other jurisdiction.

18. Headings. The headings in this Agreement are for the purposes of reference only and shall not limit or otherwise affect the meaning hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

IMAGES.COM, INC.

By: 
KENNETH FADNER


KENNETH L. FADNER