

12-19-2003

Form PTO-1594
(Rev. 10/02)
OMB No. 0651-0027 (exp. 6/30/2005)
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102627579

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

12-19-03

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

1. Name of conveying party(ies): 12-19-03
CHATAM INTERNATIONAL INCORPORATED
AND
CHARLES JACQUIN ET CIE., INC.
 Individual(s) Association
 General Partnership Limited Partnership
 Corporation-State **DE and PA, respectively**
 Other _____
Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)
Name: Citicorp USA, Inc.
Internal
Address: _____
Street Address: 153 East 53rd Street
City: New York State: NY Zip: 10043
 Individual(s) citizenship _____
 Association _____
 General Partnership _____
 Limited Partnership _____
 Corporation-State Delaware
 Other _____
If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:
 Assignment Merger
 Security Agreement Change of Name
 Other _____
Execution Date: 11/24/2003

4. Application number(s) or registration number(s):
A. Trademark Application No.(s) _____
SEE ATTACHED SECURITY AGREEMENT,
SCHEDULE A Additional number(s) attached Yes No

B. Trademark Registration No.(s) _____
SEE ATTACHED SECURITY AGREEMENT,
SCHEDULE A

5. Name and address of party to whom correspondence concerning document should be mailed:
Name: Alan S. Kleiman, Esq.
Internal Address: Epstein Becker & Green, P.C.

Street Address: 250 Park Avenue

City: New York State: NY Zip: 10177

6. Total number of applications and registrations involved: **141**
7. Total fee (37 CFR 3.41).....\$ **3540.00**
 Enclosed
 Authorized to be charged to deposit account
8. Deposit account number:
N/A

DO NOT USE THIS SPACE

9. Signature.
MARK SMALL [Signature] 11-24-03
Name of Person Signing Signature **TREAS** Date
Total number of pages including cover sheet, attachments, and document: **31**

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

12/22/2003 LINDLER 00000054 73407515
01 FC:8521 40.00 OP
02 FC:8522 3500.00 OP

TRADEMARK
REEL: 002878 FRAME: 0228

Schedule A to Security Agreement

TRADEMARKS

Trademark	Status	International Class(es)	Registration Number	Serial Number
1. FRENCH SUMMER	REGISTERED	25	R1277114	73-407515
2. TASTE THE ADVENTURE! WILD SPIRIT	REGISTERED	25	R2072331	74-649793
3. WILD SPIRIT	REGISTERED	25	R1970397	74-491640
4. WILD SPIRIT	REGISTERED	25	R2014838	74-634292
5. CHAMBORD FRANCE	REGISTERED	29	R1397788	73-535019
6. CHAMBORD PRESERVES IMPORTED FROM FRANCE ALL NATURAL FRENCH PRESERVES	REGISTERED	29	R1408730	73-539559
7. CHAMBORD	REGISTERED	29	R1389258	73-534468
8. CHARLES JACQUIN	REGISTERED	29	R2610679	76-281495
9. ST DALFOUR	REGISTERED	29	R2020598	75-009926
10. ST DALFOUR	REGISTERED	29, 30	R2345909	75-295300
11. ** DESIGN ONLY**	RENEWED	29	R1616300	73-829985
12. ** DESIGN ONLY **	REGISTERED	29	R2103033	75-140409
13. CHAMBORD	REGISTERED	30	R1281807	73-382611
14. CHAMBORD	REGISTERED	30	R1471544	73-550849
15. ONE MINUTE ALL NATURAL	REGISTERED	30	R2342001	75-563637
16. RHAPSODIE AUX HERBES DE PROVENCE, FRANCE	REGISTERED	30	R2632389	75-879885
17. ST DALFOUR	REGISTERED	30	R2192578	75-114559
18. CHEVERNAY	REGISTERED	32	R1368010	73-532517
19. PRAVDA	REGISTERED	32, 33	R2224049	75-392113
20. AN OLD TIME SPECIALTY OF THE HEMISPHERES	REGISTERED	33	R2506928	76-207093
21. BELCOUR	REGISTERED	33	R1283571	73-408579
22. BELCOUR	REGISTERED	33	R1343158	73-474245
23. BEST EVER KICK- ASS	REGISTERED	33	R2235525	75-402955
24. BEST EVER MUDSLIDE	REGISTERED	33	R2242243	75-402959
25. BOCADOR	REGISTERED	33	R2020616	75-012809
26. BOND HALL	RENEWED	33	R847704	72-285485
27. BOTTICELLI	RENEWED	33	R1088875	73-118232
28. BRITANNIA	REGISTERED	33	R1341383	73-513478
29. CANTON	REGISTERED	33	R1376192	73-536241
30. CAVENDISH	REGISTERED	33	R1266568	73-404576
31. CHAMBORD LIQUEUR RO YALE	RENEWED	33	R1058675	73-072231
32. CHAMBORD LIQUEUR ROYALE DE FRANCE	RENEWED	33	R1 220239	73-240310
33. CHAMBORD LIQUEUR ROYALE	RENEWED	33	R1230190	73-274739
34. CHAMBORD	REGISTERED	33	R1299054	73-448522
35. CHANTAINE BRUT CORDON ROYAL	REGISTERED	33	R1313778	73-458842
36. CHANTAINE BRUT CORDON ROYAL IMPORTED FROM FRANCE	REGISTERED	33	R1 371627	73-465214
37. CHANTAINE	REGISTERED	33	R1 328848	73-421092
38. CHATELAINE	RENEWED	33	R1028858	73-026332
39. CHATELAINE	REGISTERED	33	R 1265234	73-369704
40. COURCHEVAL	REGISTERED	33	R1426778	73-532516

TRADEMARK

REEL: 002878 FRAME: 0229

Trademark	Status	International Class(es)	Registration Number	Serial Number
41 COVENTRY	RENEWED	33	R901893	72-339018
42 DEVONSHIRE	REGISTERED	33	R1283568	73-354893
43 DEVONSHIRE MEADOWS	REGISTERED	33	R1308269	73-434429
44 FORBIDDEN FRUIT	RENEWED	33	R527335	71-576539
45 GOOD FORTUNE	REGISTERED	33	R2173262	74-610708
46 GREAT GLEN	RENEWED	33	R807872	72-219573
47 GUARDIAN	REGISTERED	33	R2702809	75-623511
48 HAPSBURG	REGISTERED	33	R1280094	73-414560
49 HOT SEX	REGISTERED	33	R2103842	74-653497
50 HOT XXX	REGISTERED	33	R2261150	75-520331
51 I'M BANANAS OVER YOU	REGISTERED	33	R2583433	76-077030
52 IT'S BLOWIN' IN THE WIND	REGISTERED	33	R2506957	76-209572
53 JACQUIN'S LONDON TOWER	RENEWED	33	R793470	72-123820
54 JACQUIN'S PREMIUM	RENEWED	33	R813586	72-219575
55 JACQUIN'S	REGISTERED	33	R1245562	73-342781
56 JACQUIN	RENEWED	33	R435863	71-508465
57 JACQUIN	RENEWED	33	R823726	72-237940
58 JEAN BOULAIN	RENEWED	33	R1228685	73-311333
59 JOSE CORTEZ	RENEWED	33	R860664	72-285523
60. KANDANA	REGISTERED	33	R1224464	73-271647
61 LE PASSAGE	REGISTERED	33	R2227455	75-326741
62. LIQUEUR ROYALE DE FRANCE	REGISTERED	33	R2550895	75-931807
63 LONDON TOWER	RENEWED	33	R793469	72-123819
64 LOST HORIZONS	REGISTERED	33	R2044352	74-593818
65. MAJESTIC RUBY RED	REGISTERED	33	R2179213	75-161402
66. NIRVANA	REGISTERED	33	R2304607	75-342525
67. OLD FLORIDA RUM COMPANY	REGISTERED	33	R1261878	73-314471
68 ORIGINAL BARTENDERS COCKTAILS	REGISTERED	33	R2161086	75-153682
69. ORIGINAL BARTENDERS COCKTAILS DULCE DE LECHE	REGISTERED	33	R2730859	75-931804
70. ORIGINAL CANTON GINGER LIQUEUR DELICATE	RENEWED	33	R1759223	74-107462
71. ORIGINAL PENNSYLVANIA DUTCH	REGISTERED	33	R1300868	73-336022
72 PADDLE YOUR OWN CANOE	REGISTERED	33	R1907920	74-412706
73. PERIGORD	REGISTERED	33	R1290402	73-403505
74. PERIGORD	REGISTERED	33	R1343159	73-474246
75. PRAVDA	REGISTERED	33	R2632451	75-923985
76. QUANTUM	REGISTERED	33	R2684008	75-671753
77. RESERVE DU DOMAINE	RENEWED	33	R856158	72-282242
78. RESERVE DU DOMAINE	REGISTERED	33	R1233857	73-325257
79. ROYALE MONTAINE	REGISTERED	33	R1319745	73-449620
80 SAVORY & JAMES	RENEWED	33	R975594	72-442873
81 SAVORY & JAMES	RENEWED	33	R1056245	73-087733
82 SAVORY & JAMES	REGISTERED	33	R1242271	73-299215
83 SAVORY & JAMES	REGISTERED	33	R1262623	73-383175
84 SAXONY	RENEWED	33	R903977	72-363821
85 STALINGRAD	REGISTERED	33	R1343143	73-452785
86 STALINGRAD	REGISTERED	33	R1850824	74-265453
87 TRANQUILITY	REGISTERED	33	R2528322	75-872242
88 VAN HOO VODKA	REGISTERED	33	R2378368	75-320378
89 WILD SPIRIT	REGISTERED	33	R1909421	74-412708
90 WITTENHEIM	REGISTERED	33	R1331205	73-487816

TRADEMARK

REEL: 002878 FRAME: 0230

Trademark	Status	International Class(es)	Registration Number	Serial Number
91 ** DESIGN ONLY **	RENEWED	33	R1071921	73-038190
92 ** DESIGN ONLY **	RENEWED	33	R1644573	73-828009
93 ** DESIGN ONLY **	REGISTERED	33	R2171662	75-086683
94 ** DESIGN ONLY **	REGISTERED	33	R2159417	75-086684
95 BOTTICELLI	REGISTERED	33	R1221980	73-311330
96 CHALFONTE	RENEWED	33	R1243818	73-336021
97 OLD SOUTHERN	RENEWED	33	R 1242274	73-314473
98 GOURMET ON THE GO	PUBLISHED	29, 30	R000000	76-239288
99 DREAM CATCHER	PUBLISHED	33	R000000	76-177856
100 FANTASY SPARKLER	PUBLISHED	33	R000000	76-191782
101 RHAPSODY OF HERBS	PUBLISHED	30	R000000	76-432483
102 TRIBECA	PUBLISHED	32,33	R000000	76-396684
103 ** DESIGN ONLY **	PUBLISHED	32,33	R000000	76-387654
104 HAPPY ENDING	PUBLISHED	33	R000000	76-457993
105 GOURMET COOKING MADE EASY	PUBLISHED	30	R000000	76-111525
106 HEMISPHERE	PUBLISHED	33	R000000	76-234340
107 DECIBEL	PUBLISHED	32,33	R000000	76-393550
108 CLARION	PUBLISHED	33	R000000	76-187079
109 INDIAN CREEK	PUBLISHED	33	R000000	76-442082
110 COOPER'S RUM	PUBLISHED	33	R000000	75-898758
111 HAPSBURG	PUBLISHED	32,33	R000000	76-422206
112 INDOCHINE	PUBLISHED	32, 33	R000000	76-426280
113 BLUEBERRY HARMONY	PUBLISHED	33	R000000	76-320676
114 CHAMBORD RAINBOW	PUBLISHED	33	R000000	76-040577
115 JOSE CORTEZ GOLD	PUBLISHED	33	R000000	76-138529
116 PURPLE HAZE	PUBLISHED	33	R000000	75-545481
117 TRUTH IN VODKA	PUBLISHED	33	R000000	76-294025
118 VENDOME PLATINUM	PUBLISHED	33	R000000	76-285585
119 VENDOME	PUBLISHED	33	R000000	76-259055
120 READY TO PARTY	PUBLISHED	33	R000000	75-943706
121 XANADU	PUBLISHED	33	R000000	75-342541
122 YUCATAN GOLD	PUBLISHED	33	R000000	76-138530
123. SAVORY & JAMES SPECIAL RESERVE OLD SHERRY BRANDY	PUBLISHED	33	R000000	76-378483
124 SEA MONKEY	PUBLISHED	33	R000000	76-419791
125. ** DESIGN ONLY **	PUBLISHED	33	R000000	76-132239
126. ** DESIGN ONLY **	PUBLISHED	33	R000000	76-189909
127. ROCK AND RUM	PUBLISHED	33	R000000	75-892404
128 MENAGE A TROIS	PUBLISHED	33	R000000	76-397219
129. TANZANITE	PUBLISHED	33	R0000	76-362225
130. GOURMET TO GO	PENDING	29,30	R000000	78-197674
131 CHATELAINE LIQUEUR DE ROSE	PENDING	33	R000000	76-541460
132 IMPERIAL COGNAC	PENDING	33	R000000	76-422207
133 TYPHOON	PENDING	33	R000000	75-726429
134. L'INFUSION ORIGINALE D'INDOCHINE	PENDING	33	R000000	76-457235
135. ORIGINAL BARTENDERS CLASSIC COCKTAILS	PENDING	33	R000000	76-457994
136. ** DESIGN ONLY **	PENDING	33	R000000	78-237794
137. ** DESIGN ONLY **	PENDING	33	R000000	78-244806
138. SAVORY & JAMES	PENDING	33	R000000	78-261955
139. JOSE CASPAR GOLD	PENDING	33	R000000	76-138531
140 WILD MONTANA	PENDING	33	R000000	76-472008
141 ORIGINAL BARTENDERS	PENDING	33	R000000	78-233347

TRADEMARK

REEL: 002878 FRAME: 0231

Trademark

Status

International
Class(es)

Registration
Number

Serial
Number

COCKTAILS

TRADEMARK

REEL: 002878 FRAME: 0232

SECOND AMENDED AND RESTATED TRADEMARK SECURITY AGREEMENT

THIS SECOND AMENDED AND RESTATED TRADEMARK SECURITY AGREEMENT (the "Security Agreement") is made as of November 24, 2003, by and among **CHATAM INTERNATIONAL INCORPORATED**, a Delaware corporation with an office located at 103 Springer Building, 3411 Silverside Road, Wilmington, Delaware 19810 ("Chatam"), and **CHARLES JACQUIN ET CIE., INC.**, a Pennsylvania corporation with an office located at 2633 Trenton Avenue, Philadelphia, Pennsylvania 19125 ("Jacquin") (collectively and individually referred to as the "Borrower"), in favor of **CITICORP USA, INC.**, a Delaware corporation with an office at 153 East 53rd Street, New York, New York 10043, as lender (the "Lender"), and **EPSTEIN BECKER & GREEN, P.C.**, with an office at 250 Park Avenue, New York, New York 10177, as escrow agent (the "Escrow Agent").

WHEREAS, the Borrower is the owner of the trademarks described in Schedule A annexed hereto and made a part hereof; and

WHEREAS, the Borrower is the owner and holder of the Patents listed on Schedule B annexed hereto and made a part hereof; and

WHEREAS, the Borrower and Lender are entering into a Second Amended and Restated Credit Agreement, dated the date hereof, (as it may be further amended, restated, supplemented or modified, the "Credit Agreement") which, among other things, (i) modifies certain provisions of the \$15,000,000 Working Capital Facility, (ii) increases the principal amount of the Term Facility over the present outstanding balance of \$3,260,000 by \$3,760,000 to \$7,020,000, (iii) increases the principal amount of the Trademark Facility available to Borrower to \$14,000,000 and (iv) otherwise extends the term and modifies the interest rates and certain other terms of the Facility as set forth therein; (any capitalized terms used, but not specifically defined, herein shall have the meaning provided for such terms in the Credit Agreement) and

WHEREAS, pursuant to the Amended and Restated Credit Agreement dated May 15, 2001, the Borrower and Lender entered into an Amended and Restated Trademark Security Agreement dated May 15, 2001 and desire to further amend and restate such agreement as set forth herein; and

WHEREAS, to further induce the Lender to enter into the Credit Agreement and to grant the loans, advances and extensions of credit to the Borrower in accordance with the Credit Agreement, the Borrower has offered to execute and deliver this Second Amended and Restated Security Agreement to the Lender, granting the Lender a security interest, first in priority, upon the Collateral (as such term is hereinafter defined);

NOW, THEREFORE, in consideration of the foregoing, in consideration of the premises set forth in the Credit Agreement and in order to induce the Lender to grant the loans, advances and extensions of credit to the Borrower in accordance with the Credit Agreement, the Borrower hereby agrees with the Lender for its benefit as follows:

1. Grant of Security. To secure payment and performance of all of the Obligations (as such term is hereinafter defined) of the Borrower to the Lender, the Borrower hereby pledges with the Lender and grants and conveys to the Lender a security interest in all of the Borrower's right, title and interest in and to the Collateral (as such term is hereinafter defined), which security interest shall remain in full force and effect until all of the obligations of the Borrower to the Lender are fully paid and satisfied; provided, however, anything herein, in the Credit Agreement or in any other document, instrument, writing or agreement related thereto to the contrary notwithstanding, the maximum liability of the Borrower secured by the Collateral hereunder and under the Credit Agreement shall in no event exceed an amount equal to the largest amount that would not render the Borrower's obligations hereunder subject to avoidance under Section 548 of the Title 11 of the U.S. Code, as amended (the "Bankruptcy Code") or any equivalent provision of the law of any State, if action is taken in any State to declare the Borrower bankrupt or to wind up the Borrower (or either of them).

2. Certain Defined Terms. As used in this Security Agreement, unless the context otherwise requires:

"Code" means the Uniform Commercial Code, as presently and hereafter enacted in the State of New York. Any term used in this Agreement and in any financing statement filed in connection herewith which is defined in the Code and not otherwise defined in this Agreement or in any other Loan Document has the meaning given to the term in the Code.

"Collateral": has the meaning defined in the Code, and shall include all of Borrower's right, title and interest in the following, as such terms are defined in the Code: General Intangibles, Supporting Obligations, Chattel Paper including Electronic Chattel Paper, Accounts, and Letter of Credit Rights. Collateral shall further include, without limitation, collectively and individually:

(i) each of the Trademarks (as such term is hereinafter defined), and the goodwill of the business symbolized by each of the Trademarks, listed on **Schedule A** annexed hereto and made a part hereof;

(ii) each of the Patents (as such term is hereinafter defined) listed on **Schedule B** annexed hereto and made a part hereof;

(iii) each of the Licenses (as such term is hereinafter defined);

(iv) all Accounts, contract rights and General Intangibles of the Borrower arising under or relating to the Licenses, whether now existing or hereafter arising, including, without limitation, (1) all moneys due and to become due under any License, Letter of Credit Rights and Supporting Obligations, (2) any damages arising out of or for breach or default in respect of any such License, (3) all other amounts from time to time paid or payable under or in connection with any such License, and (4) the right of the Borrower to terminate any such License or to perform, and to exercise all remedies thereunder;

(v) any claims by the Borrower against third parties, and all proceeds of suits, for infringement of the Trademarks and the Patents, and the rights to sue for

past, present and future infringements and all rights corresponding thereto in the United States or any other country, including without limitation Great Britain and Australia; and

(vi) as to all of the foregoing (i) through (v) inclusive, and any and all cash proceeds, non-cash proceeds and products thereof, additions and accessions thereto, replacements and substitutions therefor, and all related books, records, journals, computer print-outs and data, of the Borrower.

“Licenses”: Collectively and individually, any and all Trademark license agreements and Patent license agreements granted by the Borrower to third parties, whether now existing or hereafter arising, as any of same may from time to time be amended or supplemented, including, without limitation, (i) the Trademark and Tradename License Agreement between Chatam and Jacquin dated October 30, 1985, as amended by Amendment to Trademark and Tradename License Agreement dated September 1, 1991, and (ii) the Licensing, Assignment, Bottling and Supply Agreement between Chatam and Todhunter International, Inc. dated May 31, 1989.

“Obligations”: All loans, advances, indebtedness, notes, liabilities, overdrafts, outstanding Letters of Credit not drawn upon, Letters of Credit drawn upon and not yet reimbursed, and other amounts, liquidated or unliquidated, each of every kind, nature and description, whether arising under the Credit Agreement or otherwise, including, without limitation, principal and interest, and whether secured or unsecured, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter contracted.

“Patents”: Collectively and individually, all:

(vii) utility, design and plant patents, utility models, industrial designs, interior certificates and statutory invention registrations of the United States and any similar rights in any other country, including without limitation Great Britain and Australia, all whether now or hereafter owned or licensable by the Borrower, including, but not limited to, those described in **Schedule B** annexed hereto and made a part hereof; and

(viii) reissues, continuations, continuations-in-part, divisionals or term restorations and all extensions thereof and all licenses thereof.

“Trademarks”: Collectively and individually, all:

(ix) trademarks, tradenames, trade dress, service marks, prints and labels on which said trademarks, tradenames, trade dress and service marks have appeared or appear, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all right, title and interest therein and thereto, and all registrations and recordings thereof, including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office or in any similar office or agency of the United States or any State thereof or any other country, including without limitation Great Britain and Australia, all whether now or hereafter owned or licensable by any of the Borrower, including, but not limited to, those described in **Schedule A** annexed hereto and made a part hereof; and

(x) trademarks, tradenames, trade dress and service marks, whether now or hereafter owned by any of the Borrower which has not or is not required to be registered or recorded in any jurisdiction in the United States or any other country, including without limitation Great Britain and Australia; and

(xi) reissues, extensions or renewals thereof and all licenses thereof (including, without limitation, all license agreements).

3. Representations, Warranties and Covenants of the Borrower. The Borrower hereby represents, warrants, covenants and agrees as follows:

(a) Title to the Trademarks, Etc. The Borrower has sole, exclusive, full, clear and unencumbered right, title and interest in and to the Trademarks listed on Schedule A hereto and such registrations are valid and subsisting and in full force and effect. The Trademarks have not been abandoned, suspended, voluntarily terminated or cancelled by the Borrower and, to the best of the Borrower's knowledge, have not been adjudged invalid or unenforceable.

(b) Use of the Trademarks. Except to the extent that (i) the Lender, upon prior written notice by the Borrower, shall consent, or (ii) the Borrower determines in its reasonable business judgment that a Trademark of the Borrower has negligible economic value and such Trademark is no longer utilized in the ordinary course of the Borrower's business, the Borrower (either itself or through licensees) has used and will continue to use the Trademarks on each trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain the Trademarks in full force free from any claim of abandonment for nonuse, and the Borrower will not (and will not permit any licensee thereof to) do any act or knowingly omit to do any act whereby any of the Trademarks may become invalidated, abandoned, unenforceable, avoided, avoidable or otherwise materially diminished in value, and shall notify the Lender immediately if they know of any reason or have reason to know of any ground under which any of the foregoing may occur.

(c) License or Assignment of Trademarks. The Borrower shall not license or assign any of the Trademarks to any party, other than the Trademark and Tradename License Agreement between Chatam and Jacquin dated October 30, 1985, as amended by a certain Amendment to Trademark and Tradename License Agreement dated September 1, 1991, and (ii) the Licensing, Assignment, Bottling and Supply Agreement between Chatam and Todhunter International, Inc. dated May 31, 1989.

(d) Existing Patents. The Borrower, as of the date hereof, owns no Patents or Patent applications, nor is it a party to any license agreement granting any right to use or practice any invention on which a Patent is in existence, except as set forth on Schedule B. In the event any Patent is developed or otherwise acquired by the Borrower, the Borrower shall pledge with the Lender and grant to the Lender a security interest in all of the Borrower's right, title and interest in and to the Patents, pursuant to a security agreement in form and substance similar to this Security Agreement, and will execute any agreements, instruments, documents and papers as the Lender may reasonably request to evidence the Lender's interest in such Patent and the goodwill and general intangibles of the Borrower relating thereto or represented thereby.

(e) Further Assurances. The Borrower will perform all acts and execute all further instruments and documents, and take such further action reasonably requested by the Lender at any time, to evidence, perfect, maintain, record and enforce the Lender's interest in the Collateral or otherwise in furtherance of the provisions of this Security Agreement, and the Borrower hereby authorizes the Lender to execute and file (with or without the signature of the Borrower) one or more financing statements and similar documents or copies thereof or this Security Agreement with respect to the Collateral.

(f) Costs and Expenses. The Borrower shall pay on demand all reasonable and necessary expenses and expenditures of the Lender, including, without limitation, reasonable attorney's fees and expenses, incurred or paid by the Lender in protecting, enforcing or exercising its interests, rights or remedies created by, connected with or provided in this Security Agreement, or performance pursuant to this Security Agreement.

(g) Pledge of Additional Patents and Trademarks. In the event the Borrower, either itself or through any agent, employee, licensee or designee, shall:

(i) file an application for the registration of any Patent or Trademark with the United States Patent and Trademark Office or any similar office or agency of the United States, any State thereof, or any other country, including without limitation Great Britain and Australia, or any political subdivision thereof; or

(ii) file any assignment of any Patent or Trademark which the Borrower may acquire, own or license from a third party, with the United States Patent and Trademark Office or any similar office or agency of the United States, any State thereof or any other country, including without limitation Great Britain and Australia, or any political subdivision thereof;

the Borrower shall promptly, but in no event more than fifteen (15) days subsequent to such filing, notify the Lender thereof, and, upon request of the Lender shall promptly, but in no event more than twenty (20) days subsequent to such notice, execute and deliver any and all agreements, instruments, documents and papers as the Lender may reasonably request to evidence the Lender's interest in such Patent or Trademark and the goodwill and general intangibles of the Borrower relating thereto or represented thereby. The Borrower hereby grants the Lender a power-of-attorney, irrevocable until the Obligations of the Borrower to the Lender are fully paid and satisfied, to modify this Security Agreement by amending Schedule A and Schedule B annexed hereto, as applicable, to include any future Trademarks and Patents, including, without limitation, registrations or applications appurtenant thereto, covered by this Security Agreement.

(h) Borrower's Authority, Etc. The Borrower has the right and power to pledge the Collateral and, to grant the security interest in the Collateral herein granted; and the Collateral is not now, and at all times hereafter will not, except as set forth in **subparagraph 3 (c)** of this Security Agreement, be subject to any liens, licenses, pledges, assignments, registered license agreement, covenants not to sue by the Borrower or other encumbrances of any nature whatsoever, and the Borrower has not received any notice from any third party claiming any

right or interest in and to any of the Collateral or that the Borrower's use thereof infringes the rights of any third party.

(i) Negative Pledge of Trademarks. Except as set forth in **subparagraph 3(c)** of this Security Agreement or to the extent that Lender, upon reasonable prior written notice by the Borrower, shall otherwise consent, which consent will not be unreasonably withheld, the Borrower will not assign (by operation of law or otherwise), sell, mortgage, lease, transfer, pledge, hypothecate, grant a security interest in or lien upon, encumber, grant an exclusive or non-exclusive license, or otherwise encumber, grant rights to any other party or dispose of any of the Collateral, and nothing in this Security Agreement shall be deemed a consent by the Lender to any such action except as expressly permitted herein. Notwithstanding the foregoing, if Borrower's request for consent is made substantially on the form attached as **Schedule C** hereto, the request will be deemed approved if not responded to in writing within sixty (60) days of Lender's receipt of the request. In addition, a sale for less than \$2,000,000 of any Trademark which was not included as part of the then most current Trademark Valuation (as defined in the Credit Agreement) delivered to Lender shall be deemed approved upon notice of such sale to Lender. Borrower shall defend the Collateral against and shall take such other action as is necessary to remove any lien, security interest, claim, right or other encumbrances of any nature whatsoever (other than as set forth herein) in or to the Collateral, and will defend the right, title and interest of the Lender in and to any of the Borrower's rights under the Collateral against the claims or demands of all persons.

(j) No Additional Patents or Trademarks. As of the date hereof, the Borrower does not own any Patents or Trademarks, or have any Patents or Trademarks registered in or the subject of pending applications in the United States Patent and Trademark Office or in any similar office or agency of the United States or any State thereof, other than those grants, registrations or applications for registrations described in **Schedules A and B** annexed hereto and made a part hereof.

(k) Additional Further Assurances. Borrower will take all necessary steps in any proceeding before the United States Patent and Trademark Office or any similar office or agency in any other country, including without limitation Great Britain and Australia, or any political subdivision thereof, (i) to maintain each registration and grant of the Trademarks and the Patents and (ii) in accordance with its reasonable business judgment and at its expense, to halt any infringement of the Patents and Trademarks, and shall properly exercise its duty to control the nature and quality of the goods offered by any licensees in connection with the Licenses.

(l) Lender Not Liable. The Borrower assumes all responsibility and liability arising from the use of the Trademarks and the Patents and hereby agrees to indemnify and hold harmless the Lender and each director, officer, employee, affiliate and agent thereof (each an "Indemnified Person") from and against any claims of and liabilities to third parties and losses, damages or other expenses in connection with such claims and liabilities ("Losses") arising out of, relating to or resulting from the use of, or licensing of, the Trademarks or the Patents (including, without limitation, from any alleged defect in any product manufactured, promoted or sold by the Borrower in connection with any of the Trademarks or Patents) which such Indemnified Person shall incur, as determined by a final decision of a court of competent

jurisdiction, including, without limitation, Losses consisting of legal or other expenses incurred in connection with investigating or defending any legal proceeding relating to the foregoing; provided, however, that the foregoing will not apply to any Losses to the extent they arise out of or result from the negligence or willful misconduct of such Indemnified Person, the breach by the Lender of, or the Lender's acting unreasonably or in bad faith in connection with, this Security Agreement; and provided further, that as a condition of this indemnity, any such Indemnified Person shall promptly notify the Borrower after the Indemnified Person becomes aware of the occurrence of an event giving rise to such claim of indemnity, in writing, of the occurrence of any event subject of this indemnity and that the Borrower may, in the Borrower's discretion, assume the defense of any such matter, provided that the Borrower agrees not to settle or compromise with regard to any such Losses without such Indemnified Person's consent and that, further, if any Indemnified Person proposes to settle or compromise any Loss for which the Borrower may be liable for payment of indemnity hereunder, such Indemnified Person shall first give the Borrower written notice of all terms of such proposed settlement or compromise reasonably in advance of settling or compromising such matter and shall first obtain the Borrower's concurrence thereto in writing, however such Indemnified Person may settle or compromise such matter even if the Borrower reasonably objects by waiving its indemnification to the extent of such compromise or settlement with regard to the specific event giving rise to such indemnification. The Borrower's obligations under this subparagraph shall remain effective whether or not definitive documentation is executed and notwithstanding any termination of this Security Agreement.

(m) Lender's Rights. The Lender may, in its sole discretion, pay any amount or do any act required of the Borrower hereunder or requested by the Lender to preserve, defend, protect, maintain, record or enforce the Borrower's obligations contained herein, the Obligations of the Borrower to the Lender, the Collateral, or the right, title and interest granted the Lender herein, and which the Borrower fails to do or pay, and any such payment shall be deemed an advance by the Lender to the Borrower and shall be payable on demand together with interest thereon at the applicable Default Rate as specified in the Credit Agreement.

(n) Protection of the Trademarks. If Borrower learns of any use by any person of any term or design likely to cause confusion with any Trademark, or of any claim of any lien, security interest, claim, right or other encumbrance of any nature in or to the Collateral, Borrower shall promptly notify Lender of such use, lien, security interest, claim, right or other encumbrances and, if requested by the Lender, shall join with the Lender, at the Borrower's expense, in such action as the Lender, in its reasonable discretion, may deem advisable for the protection of the Lender's interest in and to the Trademarks, it being understood that the foregoing shall not preclude the Borrower from bringing an action against a person for the protection of the Borrower's interest in and to such Trademarks. If the Lender exercises its rights and remedies under this Security Agreement, it shall act in a commercially reasonable manner to maintain the integrity of the Trademarks.

4. Lender's Appointment as Attorney-in-Fact.

(a) Upon the occurrence of an Event of Default and following expiration of the Three Business Days Notice (as such terms are defined in the Credit Agreement), the Borrower irrevocably constitutes and appoints the Lender, and any officer or

agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Borrower and in the name of the Borrower or in its own name, from time to time in the Lender's discretion, for the purposes of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement and, without limiting the generality of the foregoing, hereby gives the Lender the power and right, on behalf of the Borrower, to do the following:

(i) To ask, demand, collect, receive and give acquittances and receipts for any and all moneys due and to become due under any Licenses and, in the name of the Borrower or in its own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any License and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Lender for the purpose or collecting any and all such moneys due under any License whatsoever;

(ii) To pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Security Agreement or the Credit Agreement and to pay all or any part of the premiums therefor and the costs thereof;

(iii) To direct any party liable for any payment under any of the Licenses to make payment of any and all moneys due and to become due thereunder directly to the Lender or as the Lender shall direct;

(iv) To receive payment of and receipt for any and all moneys, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral;

(v) To commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral;

(vi) To defend any suit, action or proceeding brought against the Borrower with respect to any Collateral;

(vii) To settle, compromise, or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Lender may deem appropriate; and

(viii) Generally, to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Lender were the absolute owner thereof for all purposes, and to do, at the Lender's option, all acts and things which the Lender deems necessary to protect, preserve or realize upon the Collateral and the Lender's security interest therein, in order to effect the intent of this Security Agreement, all as fully and effectively as the Borrower might do.

(b) The Borrower's agreement to appoint the Lender as attorney-in-fact in this **paragraph 4** is irrevocable and the power of attorney, once effective, shall be coupled with an interest and shall, similarly, be irrevocable. Notwithstanding the foregoing, the Borrower further agrees to execute any additional documents which the Lender may reasonably require in order to confirm this power of attorney, or which the Lender may reasonably deem necessary to enforce any of its rights contained in this Security Agreement.

(c) The powers conferred on the Lender hereunder are solely to protect the Lender's interests in the Collateral and shall not impose any duty upon the Lender to exercise any such powers. The Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither the Lender nor any of its officers, directors, employees or agents shall be responsible to the Borrower for any act or failure to act, except for the Lender's own negligence or willful misconduct.

(d) Upon the occurrence of an Event of Default and following expiration of the Three Business Days Notice, the Borrower also authorizes the Lender to execute, in connection with any sale provided for in this Security Agreement, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(e) Pursuant to this **paragraph 4**, concurrently with the execution and delivery of this Security Agreement, the Borrower is executing and delivering to the Escrow Agent certain Special Power of Attorney, in the form of **Schedule D** annexed hereto and made a part hereof (collectively and individually referred to as the "Special Power of Attorney"), for the implementation of the sale, assignment, licensing or other disposition of the Collateral pursuant to this Security Agreement, which said Special Power of Attorney shall be held by the Escrow Agent in accordance with the provisions of **paragraph 7** of this Security Agreement.

(f) Notwithstanding anything in this Security Agreement or in the Special Power of Attorney to the contrary, the Power of Attorney set forth in this **paragraph 4**, as well as in the Special Power of Attorney, shall not be effective in the event that the Borrower files a petition in Bankruptcy, unless and until the Lender shall obtain an order of the bankruptcy court granting the Lender relief from the automatic stay or other relief specifically allowing the Lender to exercise the specific rights provided for in this paragraph 4 and in the Special Power of Attorney. In any such bankruptcy proceeding or application seeking relief from the automatic stay of bankruptcy, the Lender shall not rely upon the grant of the Power of Attorney of this paragraph 4 or the Special Power of Attorney by the Borrower as creating any special right or rights of the Lender to obtain relief from the automatic stay. Nothing contained in this **subparagraph 4(f)** shall prevent the Lender from seeking the ability to exercise the specific rights provided for in this Power of Attorney and in the Special Power of Attorney provided the Lender shall first obtain, on grounds independent of the existence of these Powers, an order of the bankruptcy court granting the Lender relief from the automatic stay or other relief authorizing the exercise of Lender's rights.

5. Event of Default. The occurrence of any one or more of the following shall constitute an Event of Default under this Security Agreement:

(a) The occurrence of any Default or Event of Default under the Credit Agreement;

(b) A breach by the Borrower of any covenant contained in this Security Agreement; or

(c) If any warranty or representation contained in this Security Agreement, including, without limitation, the warranties and representations contained in **Section 3** of this Security Agreement, shall be incorrect in any material respect.

6. Remedies. Upon the occurrence of an Event of Default, in addition to all other rights and remedies of the Lender, whether under law, the Credit Agreement or otherwise (all such rights and remedies being cumulative, not exclusive and enforceable alternatively, successively or concurrently), the Lender shall have the following rights and remedies which it may exercise, following the Three Business Days Notice, as such term is defined in the Credit Agreement, to the Borrower:

(a) exercise any of the rights and remedies of the Lender set forth in the Credit Agreement;

(b) immediately upon the Lender's request, the Borrower shall not make any further use of the Patents or the Trademarks or any mark similar thereto for any purposes;

(c) the Lender may, at any time and from time to time, license, whether general, special or otherwise, and whether on an exclusive or nonexclusive basis, any of the Patents or the Trademarks, throughout the world for such term or terms, on such conditions, and in such manner, as the Lender shall in its sole discretion determine;

(d) the Lender may (without assuming any obligations or liability thereunder), at any time, enforce (and shall have the exclusive right to enforce) against any licensee or sublicensee all rights and remedies of the Borrower in, to and under any one or more license agreements with respect to the Collateral, including without limitation the license agreements set forth in **subparagraph 3(c)** of this Security Agreement, and take or refrain from taking any action under any license or sublicense thereof;

(e) the Lender may foreclose upon the Collateral for the purpose of using, assigning, selling or otherwise disposing of the Collateral or any of it, either with or without special or other conditions or stipulations, and record any documents with the United States Patent and Trademark Office and any similar office or agency of any other country, including without limitation Great Britain and Australia, necessary to evidence the Lender's ownership in the Collateral;

(f) the Lender may appear before the United States Patent and Trademark Office or before the similar office or agency of any other country, including without limitation Great Britain and Australia, as owner of the Collateral, without recording or filing any documents to evidence the Lender's ownership in the Collateral;

(g) whether or not the Lender forecloses upon the Collateral in accordance with **subparagraph 6(e)** of this Security Agreement, the Lender may, at any time after the occurrence of an Event of Default and expiration of the Three Business Days Notice, and from time to time thereafter, assign, sell, or otherwise dispose of, the Collateral or any of it either with or without special or other conditions or stipulations, with power to buy the Collateral, or any part of it, and with power also to execute assurances, and do all other acts and things for completing the assignment, sale or disposition thereof which the Lender shall, in its sole discretion, deem appropriate or proper, all in a commercially reasonable manner; and

(h) in addition to the foregoing, in order to implement the assignment, sale or other disposal of any of the Collateral pursuant to **subparagraphs 6(e) or 6(g)** hereof, the Lender may, at any time after the occurrence of an Event of Default and expiration of the Three Business Days Notice, pursuant to the authority granted in the Special Power of Attorney, subject, however, to **subparagraph 4(e), subparagraph 4(f) and paragraph 7** of this Security Agreement, execute and deliver on behalf of the Borrower, one or more instruments of assignment of the Patents or the Trademarks (or any application or registration thereof), in form suitable for filing, recording or registration. The Borrower agrees to pay when due all reasonable costs and expenses incurred in any such transfer of the Patents or the Trademarks, including any taxes, fees and reasonable attorneys' fees, and all such costs shall be added to the obligations of the Borrower to the Lender. The Lender shall apply the proceeds actually received from any such license, assignment, sale or other disposition to the payment of the Obligations of the Borrower to the Lender as provided for in the Credit Agreement. The Borrower shall remain liable for any deficiency with respect to the Obligations of the Borrower to the Lender, which shall bear interest and be payable at the Default Rate as specified in the Credit Agreement. The Borrower shall have the right to receive any surplus subject, however, to any duty of the Lender imposed by law to the holder of any subordinate security interest in the Collateral known to the Lender. Nothing contained herein shall be construed as requiring the Lender to take any such action at any time.

7. Escrow Agreement.

(a) The Escrow Agent shall act as escrow agent for the purpose of and in accordance with the terms and conditions of this Security Agreement. The Special Power of Attorney shall be held by the Escrow Agent in a security deposit box with Citibank N.A. or other financial institution which may include the Lender, which the Lender and the Borrower hereby acknowledge and agree to be a reasonable depository.

(b) The Escrow Agent shall hold the Special Power of Attorney in escrow, pending notification from the Lender that:

(i) an Event of Default has occurred under the Credit Agreement, this Security Agreement, or any other documents, instruments, writings and agreements related thereto, and that any required notice has been properly delivered to the Borrower and, after such notice period has lapsed, the Escrow Agent shall be authorized to deliver the Special Power of Attorney directly to the Lender; or

(ii) the Obligations (as such term is defined in the Credit Agreement) of the Borrower to the Lender have been fully paid and satisfied, at which time the Escrow Agent shall deliver the Special Power of Attorney directly to the Borrower.

(c) The Escrow Agent will be obligated to perform only such duties as are expressly set forth in this **paragraph 7**. In case of conflicting demands, the Escrow Agent shall be entitled to refuse to comply with the instructions of the Lender to deliver the Special Power of Attorney as long as such disagreement continues, to make no delivery of the Special Power of Attorney then held (and the Escrow Agent shall not be or become liable in any way for such failure or refusal to comply with such conflicting or adverse claims or demands), and to continue to so refrain and to so refuse to act until all differences shall have been resolved by agreement and the Escrow Agent shall have been notified thereof in writing signed jointly by the Borrower and the Lender, or as decided by a final order of a court of competent jurisdiction from which no appeal is or can be made.

(d) The Borrower and the Lender hereby acknowledge and agree that the Escrow Agent shall be under no obligation to take any legal action in connection with the Special Power of Attorney and that the Escrow Agent's exercise of reasonable care does not require the Escrow Agent to take any actions relating to the Special Power of Attorney, including, without limitation, (i) preserving or defending the Borrower's or the Lender's rights under the Special Power of Attorney, whether against other parties or otherwise, or (ii) collecting royalties or license fees, if any, generated by use of the Special Power of Attorney.

(e) The Borrower and the Lender acknowledge and agree that the Escrow Agent shall be under no obligation to take any legal action in connection with this Agreement or for its enforcement, or to appear in, prosecute, or defend any action or legal proceeding which, in its opinion, would or might involve it in any cost, expense, loss, or liability, unless and so often as required by the Escrow Agent, the Borrower shall furnish the Escrow Agent with security and indemnity satisfactory to the Escrow Agent against all such costs, expenses, losses, or liabilities.

(f) The Escrow Agent while acting as the escrow agent hereunder is to be considered and regarded as a depository only and its duties hereunder shall be limited to the safekeeping of the Special Power of Attorney received by it as the escrow agent and for the disbursement of the same in accordance with the written escrow instructions given it in accordance with this Security Agreement.

(g) Liability. Escrow Agent shall not be liable with respect to its duties hereunder except in the event of its willful misconduct or gross negligence. Escrow Agent may rely on any document, instrument or signature believed by it to be genuine and signed by either of the parties or their successors and may assume that any person purporting to give any notice of instructions in accordance with the provisions hereof has been duly authorized to do so. Escrow Agent shall not be bound by any modification, cancellation or rescission of this Security Agreement unless in writing and signed by Borrower and the Lender.

(h) Indemnity. Borrower hereby agrees to indemnify and hold harmless Escrow Agent against any loss, liability, claim or expense in connection herewith,

including reasonable attorneys' fees and disbursements, arising out of or in connection with the performance by Escrow Agent of its duties under this Security Agreement, unless such loss, liability, claim or expense results or arises in connection with the willful misconduct or gross negligence of Escrow Agent.

(i) Stakeholder Only. Escrow Agent is acting only as a stakeholder with respect to the Special Power of Attorney held by it hereunder. If there is any dispute as to whether Escrow Agent is obligated to deliver the Special Power of Attorney or any of them or as to whom the documents or any of them are to be delivered, Escrow Agent may hold the same until it is authorized in writing, signed by Borrower and the Lender or by a final order of a court of competent jurisdiction from which no appeal is or can be made, directing the disposition of the Special Power of Attorney. If such a written authorization is not given or proceedings for such determination are not begun within thirty (30) days after written request by Escrow Agent and diligently continued, Escrow Agent may either continue to hold the Special Power of Attorney or bring an appropriate action or proceeding for leave to deposit the Special Power of Attorney in court pending such determination. Escrow Agent shall be reimbursed for all costs and expenses of such action or proceeding including, without limitation, reasonable attorneys' fees and disbursements, by all parties hereto, and upon such deposit of the Special Power of Attorney in court, Escrow Agent shall have no further liability hereunder.

(j) No Conflict. Borrower acknowledges that, notwithstanding that Escrow Agent is the escrow agent hereunder, Escrow Agent is the attorney for the Lender and neither its service as escrow agent hereunder nor any provision hereof shall restrict Escrow Agent from representing the Lender in any action, dispute, controversy, arbitration, Bankruptcy proceeding, suit or negotiation arising out of this Security Agreement, the escrow provisions, the Credit Agreement, or otherwise.

(k) No Third Party Rights. The terms and provisions of these escrow provisions shall create no right in any person other than the Borrower and the Lender and their respective successors and assigns, and no third party shall have the right to enforce or benefit from the terms hereof.

(l) Borrower agrees to pay Escrow Agent a fee of \$3,000 per annum for Escrow Agent to perform its duties as Escrow Agent hereunder. Such fee shall be payable in advance at the Closing of the Loan and on the first day of December of each year thereafter until all Obligations shall have been repaid in full. Notwithstanding the foregoing, Borrower shall have the right at any time, on notice to Escrow Agent and the Lender, to request that Escrow Agent deliver the Special Power of Attorney to the Lender, to be held by the Lender in accordance with the terms of the Credit Agreement unless and until an Event of Default has occurred and the three Business Days Notice has been given and expired.

8. Amendments and Modification. No provision hereof shall be modified, altered, waived or limited except by a written instrument expressly referring to this Security Agreement and executed by the party to be charged.

9. Binding Nature. This Security Agreement shall be binding upon and inure to the benefit of the successors, assigns or other legal representatives of the Borrower, and shall,

together with the rights and remedies of the Lender hereunder, be binding upon and inure to the benefit of the Lender, its successors, assigns or other legal representatives.

10. GOVERNING LAW. THIS SECURITY AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HERE UNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

11. Notices/Three Business Days Notice and the Sale Notice.

(a) All notices and other communications (other than the Three Business Days Notice and the Sale Notice (as each is defined in **Section 1.2** of the Credit Agreement and which notices shall be given in accordance with **Subsection (b)** below) shall be in writing and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by prepaid courier, and shall be deemed to be given, if by registered or certified mail, postage prepaid, three Business Days after mailing, and if by personal delivery or prepaid courier, on the day that such writing is delivered. Notices, demands and other communications shall be sent as follows, with a courtesy copy by FAX:

- If to **Borrower**:
1. Chatam International Incorporated
103 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810
Attn: Mark Small
TEL: 302 478-6160
FAX: 302 478-3667
 2. Chatam International Incorporated
103 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810
Attn: Norton Cooper
TEL: 302 478-6160
FAX: 302 478-3667
 3. Charles Jacquin et Cie., Inc.
2633 Trenton Avenue
Philadelphia, PA 19125
Attn: Mark Small
TEL: 215 425-9300
FAX: 215 425-9438
 4. Charles Jacquin et Cie., Inc.
2633 Trenton Avenue

Philadelphia, PA 19125
Attn: Norton Cooper
TEL: 215 425-9300
FAX: 215 425-9438

5. Charles Jacquin et Cie., Inc.
2633 Trenton Avenue
Philadelphia, PA 19125
Attn: Geoffrey Smitt
TEL: 215 425-9300
FAX: 215 425-9438

6. Charles Jacquin et Cie., Inc.
2633 Trenton Avenue
Philadelphia, PA 19125
Attn: Paul Lewis, Esq.
TEL: 215 425-9300
FAX: 215 425-9438

and a copy to:

7. Sarner and Associates P.C.
Eleven Penn Center, 29th Floor
1835 Market Street
Philadelphia, PA 19103
Attn: Leonard Sarner, Esq.
TEL: (215) 496-1396
FAX: (215) 568-1044

If to **Lender or Escrow Agent:**

Citicorp USA, Inc.
153 East 53rd Street, 25th Floor
New York, New York 10043
Attn: Jose M. Perez, VP
TEL: (212) 559-2467
FAX: (212) 793-4813

with a copy to:

EPSTEIN BECKER & GREEN, P.C.
250 Park Avenue, 12th Floor
New York, New York 10177
Attention: Alan S. Kleiman, Esq.
TEL: (212) 351-4520
FAX: (212) 878-8620

or at such other address as any of the parties may designate by written notice given as herein required.

(b) **Three Business Days Notice and Sale Notice.** The Three Business Days Notice and the Sale Notice shall be sent by prepaid courier, next business day delivery, addressed to Borrower at the addresses provided for Notice in **Subsection (a)** above. The Three Business Days Notice period shall commence the Business Day following the Borrower's "Receipt" of the written notice referred to herein, and shall end at 5:00 p.m. New York City time on the third Business Day following Receipt of that notice. As used herein, the term "Receipt" shall mean either:

(i) an acknowledgment by Fax to Lender from any of the addressees of the Three Business Days Notice acknowledging actual receipt of the Three Business Days Notice; or

(ii) personal delivery by an officer of Lender during the normal business hours of 9 a.m. to 5 p.m. on any Business Day (as defined in the Credit Agreement) to the office address of:

Charles Jacquin et Cie., Inc.
2633 Trenton Avenue
Philadelphia, PA 19125 in an envelope marked
"Attn: Mark Small and Norton Cooper"

If such office is closed or if the delivery is refused the envelope containing the Three Business Days Notice shall be left at such location, and in such case, "Receipt" shall mean such officer's attempt at delivery. The officer shall prepare a certification by affidavit, a statement of the date, time, and place of such delivery or attempted delivery.

12. **Continuing Security Interest.** This Security Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until payment in full in cash or in another manner acceptable to Lender, in its sole but reasonable discretion, and termination of the Obligations of the Borrower to the Lender, (b) be binding upon and inure to the benefit of, and be enforceable by, the Borrower, its successors and assigns, and (c) be binding upon and inure to the benefit of, and be enforceable by, the Lender and its successors, transferees and assigns. Upon payment in full in cash or in another manner acceptable to Lender, in its sole but reasonable discretion, and termination of the Obligations of the Borrower to the Lender then outstanding, the security interest granted hereby shall terminate and all rights granted as security in the Collateral to the Lender shall revert to the Borrower. Upon any such termination, the Lender will, at Borrower's expense, execute and deliver to the Borrower such documents as the Borrower shall reasonably request to evidence such termination.

13. **Counterparts.** This Security Agreement may be executed in counterparts, each of which, when taken together, shall be deemed one and the same instrument.

14. **Headings.** Section headings herein are included for convenience of reference only and shall not constitute a part of this Security Agreement for any other purpose.

15. **Acknowledgment of Receipt.** The Borrower acknowledges receipt of a copy of this Security Agreement.

16. No Waiver. No course of dealing between the Borrower and the Lender, and no delay or omission of the Lender in exercising or enforcing any of the Lender's rights and remedies hereunder shall constitute a waiver thereof; and no waiver by the Lender of any Event of Default should operate as a waiver of any other Event of Default.

17. Severability. If any of the provisions of this Security Agreement shall contravene or be held invalid under the laws of any jurisdiction, this Security Agreement shall be construed as if not containing such provisions and the rights, remedies, warranties, representations, covenants, and provisions hereof shall be construed and enforced accordingly in such jurisdiction and shall not in any manner affect such provision in any other jurisdiction, or any other provisions of this Security Agreement in any jurisdiction.

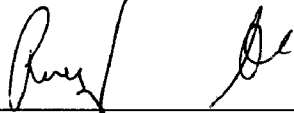
18. Granting of Security Interest Only. Notwithstanding any provision of this Security Agreement to the contrary, the Borrower is providing to the Lender, by entry into this Security Agreement, only a security interest in the Collateral and no other interest in the Collateral is intended to be created by the parties.

19. **WAIVER OF JURY TRIAL. THE BORROWER WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS SECURITY AGREEMENT.**

20. Definitions. Any capitalized term herein not otherwise defined herein shall be defined as set forth in the Credit Agreement.

STATE OF NEW YORK)
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 :SS.
COUNTY OF NEW YORK)

On the 24th day of November in the year 2003, before me, the undersigned, personally appeared Mark Small, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

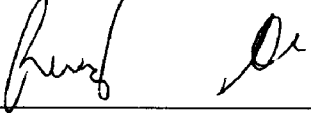


Notary Public

RIAZ ALI
NOTARY PUBLIC, State of New York
No. 01AL6016239
Qualified in Bronx County
Commission Expires November 16, 2006

STATE OF NEW YORK)
)
 :SS.
COUNTY OF NEW YORK)

On the 24th day of November in the year 2003, before me, the undersigned, personally appeared Mark Small, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.



Notary Public

RIAZ ALI
NOTARY PUBLIC, State of New York
No. 01AL6016239
Qualified in Bronx County
Commission Expires November 16, 2006

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

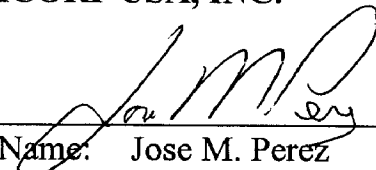
CHATAM INTERNATIONAL INCORPORATED

By: _____
Name: Mark Small
Title: Treasurer


CHARLES JACQUIN ET CIE., INC.

By: _____
Name: Mark Small
Title: Treasurer

CITICORP USA, INC.

By:  _____
Name: Jose M. Perez
Title: Vice President

EPSTEIN BECKER & GREEN, P.C.

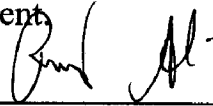
By:  _____
Name: Alan S. Kleiman
Title:

LENDER ACKNOWLEDGMENT

As to Citicorp USA, Inc.

STATE OF NEW YORK)
 :ss.
COUNTY OF NEW YORK)

On the 24th day of November in the year 2003, before me, the undersigned, a notary public in and for said State, personally appeared Jose M. Perez, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.



Notary Public

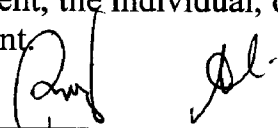
RIAZ ALI
NOTARY PUBLIC, State of New York
No. 01AL6016239
Qualified in Bronx County
Commission Expires November 16, 2006

ACKNOWLEDGMENT

As to EPSTEIN BECKER & GREEN, P.C.

STATE OF NEW YORK)
 :ss.
COUNTY OF NEW YORK)

On the 24th day of November in the year 2003, before me, the undersigned, a notary public in and for said State, personally appeared Alan S. Kleiman, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.



Notary Public

RIAZ ALI
NOTARY PUBLIC, State of New York
No. 01AL6016239
Qualified in Bronx County
Commission Expires November 16, 2006

Schedule B to Security Agreement

PATENTS

None

FORM OF REQUEST FOR APPROVAL

[Date]

Citicorp USA, Inc.
153 East 53rd Street, 25th Floor
New York, New York 10043
Attention: Jose M. Perez, Vice President

Re: Second Amended and Restated Credit Agreement With Chatam International Incorporated and Charles Jacquin Et Cie, Inc. (collectively, "Borrower")

Gentlemen:

This letter is sent to you pursuant to Section 3 (i) of the Second Amended and Restated Trademark Security Agreement, dated as of November 24, 2003, by and among Borrower, Lender and the Escrow Agent (as defined therein), (the "Security Agreement"), entered into pursuant to the Second Amended and Restated Credit Agreement by and among Lender and Borrower, dated November 24, 2003.

We hereby request your consent to the [sale, granting of a license, etc. [describe transaction in detail]].

Pursuant to Section 3 (i) of the Security Agreement, if you do not respond to this request within 60 days of your receipt of this letter your consent will be deemed granted.

Very truly yours,

[Borrower]

Attorney. In any such Bankruptcy or winding up proceeding or application seeking relief from the automatic stay of Bankruptcy, the Lender shall not rely upon the grant of the powers contained herein by the Borrowers as creating any special right or rights of the Lender to obtain relief from the automatic stay. Nothing contained in this paragraph shall prevent the Lender from seeking the ability to exercise the specific rights provided for in this Special Power of Attorney provided the Lender shall first obtain, on grounds independent of the existence of these Powers, an order of the Bankruptcy or other court granting the Lender relief from the automatic stay.

Dated: November 24, 2003

CHATAM INTERNATIONAL INCORPORATED

By: _____

Name: Mark Small

Title: Treasurer

CHARLES JACQUIN ET CIE., INC.

By: _____

Name: Mark Small

Title: Treasurer

STATE OF NEW YORK)
 :ss.
COUNTY OF NEW YORK)

On the 24th day of November in the year 2003, before me, the undersigned, personally appeared Mark Small, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

STATE OF NEW YORK)
 :ss.
COUNTY OF NEW YORK)

On the 24th day of November in the year 2003, before me, the undersigned, personally appeared Mark Small, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Notary Public

EPSTEIN BECKER & GREEN, P.C.

ATTORNEYS AT LAW
250 PARK AVENUE
NEW YORK, NEW YORK 10177-1211
212.351.4500
FAX: 212.661.0989
EBGLAW.COM

SASHA N. BADIAN
TEL: 212.351.4839
FAX: 212.878.8609
SBADIAN@EBGLAW.COM

December 15, 2003

VIA OVERNIGHT DELIVERY

United States Patent and Trademark Office
Office of Public Records
Crystal Gateway 4
Room 335
P.O.Box 1450
Alexandria, VA 22313

RECORDED
2003 DEC 19 PM 4:11
ADMINISTRATIVE DIV

Re: Trademark Security Agreement by and among Chatam International
Incorporated and Charles Jacquin et Cie., Inc., in favor of Citicorp USA, Inc.

Ladies and Gentlemen:

At the request of Alan S. Kleiman, Esq. and our client Citicorp USA, Inc., I am submitting to you the above-referenced document, and the trademarks referenced in Schedule A therein, for recordation as a security agreement.

Kindly time-stamp the enclosed copy of this letter and return it to us in the self-addressed envelope we have provided to you herein.

Best regards,



Sasha N. Badian*

Enclosures

* Pending Admission in New York.

ATLANTA • BOSTON • CHICAGO • DALLAS • HOUSTON • LOS ANGELES
NEWARK • NEW YORK • SAN FRANCISCO • STAMFORD • WASHINGTON, D.C.