

FORM PTO-1595

RECORDATION FORM COVER SHEET

U.S. DEPARTMENT OF COMMERCE

1/31/92

TRADEMARKS ONLY

Patent and Trademark Office

To the Director of Patents and Trademarks: Please Record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Cigars International, Inc.

Entity: Delaware Corporation

Additional name(s) of conveying party(ies) attached?

Yes No

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

Name: Fifth Third Bank

Internal Address:

233 S. Wacker Drive Suite 400

Chicago, IL 60606

Entity: Michigan Banking Corporation

Additional Name(s) & Address(es) attached Yes No

3. Nature of conveyance:

- Assignment Merger
- Security Agreement Change of Name
- Other

Execution Date July 13, 2004

4. Application or registration number(s):

A. Trademark Application No.(s)
76/406,280; 76/406,278; 78/380,675; 78/309,072;
78/339,776; 78/380,676; 78/309,071

B. Trademark Registration No. (s)
2,219,402; 2,688,553; 2,706,776; 2,219,457; 2,217,706;
2,257,792; 2,243,614; 2,123,487; 2,721,342; 2,656,618

Additional numbers attached? Yes No

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

Please send the recorded assignment back by fax to 312-258-5600 to the attention of:

SCHIFF HARDIN LLP
Chris Bollinger, Attorney
P.O. Box 06079
Chicago, IL 60606-0079
Telephone: 312-258-5500
Att. Ref. No(s): 27662-0015

6. Total number of trademarks involved

17

7. Total Fee (37 CFR 3.41

\$440.00

Authorization is given to charge the deposit account for the fees required or to credit any overpayment.

8. Deposit Account Number:

19-0409

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

DO NOT USE THIS SPACE

9. Statement and signature:

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Chris Bollinger

Name of Person Signing

Signature

Date

9-10-04

Total number of pages including cover sheet and attached documents 16:

Mail documents to be recorded and required cover sheet information to:

By Fax: 703/306-5995
Commissioner of Patents and Trademarks
Box Assignments
Washington, D.C. 20231

TRADEMARK

CH \$440.00 190409 76406280

EXECUTION COPY**PATENT, COPYRIGHT, LICENSE AND TRADEMARK SECURITY AGREEMENT**

THIS PATENT, COPYRIGHT, LICENSE AND TRADEMARK SECURITY AGREEMENT ("Agreement") is made as of July 13, 2004 by **Cigars International Holding Company, Inc.**, a Delaware corporation ("Holding"), **Cigars International, Inc.**, a Delaware corporation ("Borrower") and, together with Holding, collectively, the "Obligors" and, individually, an "Obligor"), to **Fifth Third Bank**, a Michigan banking corporation ("Bank").

WITNESSETH:

WHEREAS, the Obligors have entered into that certain Loan and Security Agreement dated as of July 13, 2004 (as amended, modified or supplemented from time to time, the "Loan Agreement") with Bank; and

WHEREAS, it is a condition to the effectiveness of the Loan Agreement and any extensions of credit to or for the benefit of the Borrower thereunder that, among other things, each Obligor execute and deliver to Bank this Agreement;

NOW, THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Obligor agrees as follows:

1. **Incorporation of Loan Agreement.** The Loan Agreement and the terms and provisions thereof are hereby incorporated herein in their entirety by this reference thereto. Terms used herein which are not defined herein but are defined in the Loan Agreement shall have the meanings ascribed to them therein.

2. **Grant of Security Interest, Etc.** To secure the complete and timely satisfaction of all of each Obligor's Liabilities:

(A) each Obligor hereby grants to the Bank a security interest in and to all of such Obligor's right, title and interest in, to and under all of the following, whether now existing or hereafter arising:

(i) patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein, and those patents and patent applications listed on Schedule A attached hereto and made a part hereof, and (a) the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, and (d) all rights corresponding thereto throughout the world (all of the foregoing patents and applications, together with the items described in clauses (a) through (d), inclusive, in which such Obligor

now or hereafter has any right, title or interest are sometimes hereinafter individually and/or collectively referred to as the "Patents");

(ii) all copyrights, copyright registrations and copyright applications including, without limitation, the copyrights and applications listed on Schedule B attached hereto and made a part hereof, and (a) renewals thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, and (d) all rights corresponding thereto throughout the world (all of the foregoing copyrights, copyright registrations and copyright applications, together with the items described in clauses (a) through (d), inclusive, in which such Obligor now or hereafter has any right, title or interest are sometimes hereinafter individually and/or collectively referred to as the "Copyrights");

(iii) all such Obligor's rights and obligations pursuant to its license agreements with any other Person or Persons with respect to any Patents and Copyrights, whether such Obligor is a licensor or licensee under any such license agreements, including, without limitation, the licenses listed on Schedule C attached hereto and made a part hereof, and, subject to the terms of such licenses, the right to prepare for sale, sell and advertise for sale, all Inventory now or hereafter owned by such Obligor and now or hereafter covered by such licenses (all of the foregoing is hereinafter referred to collectively as the "Patent and Copyright Licenses");

(iv) all service marks, trademarks, trademark or service mark registrations, trademark or service mark applications and trade names including, without limitation, the trademarks and service marks listed on Schedule D attached hereto and made a part hereof, and (a) renewals thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, and (d) all rights corresponding thereto throughout the world (all the foregoing service marks, trademarks, registrations, applications and trade names, together with the items described in clauses (a) through (d), inclusive, with respect thereto in which such Obligor now or hereafter has any right, title or interest are sometimes hereinafter and/or collectively referred to as the "Marks");

(v) all such Obligor's rights and obligations pursuant to its license agreements with any other Person or Persons with respect to any Marks, whether such Obligor is a licensor or licensee under any such license agreements, including, without limitation, the licenses listed on Schedule E attached hereto and made a part hereof, and, subject to the terms of such licenses, the right to prepare for sale, sell and advertise for sale, all Inventory now or hereafter owned by such Obligor and now or hereafter covered by such licenses (all of the foregoing is hereinafter referred to as "Trademark Licenses"; Patent and Copyright Licenses and Trademark Licenses are hereinafter referred to collectively as "Licenses"); and

(vi) the goodwill of such Obligor's business connected with and symbolized by the Marks;

provided, however, that there shall be excluded from the foregoing grant of security interest any of the existing Licenses to which any Obligor is a licensee (and any Patents, Marks and Copyrights currently licensed by others to any Obligor pursuant to such Licenses) in each case to the extent (but only to the extent) that the applicable License lawfully prohibits such grant; provided further, however, that, upon Bank's reasonable request, each Obligor will use its good faith reasonable efforts to obtain any consent needed to subject any such property to this grant of security interest.

3. Restrictions on Future Agreements. Each Obligor agrees and covenants that until the Liabilities shall have been satisfied in full and the Loan Agreement shall have been terminated, such Obligor will not, without Bank's prior written consent (such consent not to be unreasonably withheld), take any action or enter into any agreement, including, without limitation entering into any license agreement, which is inconsistent with such Obligor's obligations under this Agreement, and each Obligor further agrees and covenants that without Bank's prior written consent it will not take any action, or permit any action to be taken by others subject to its control, including its licensees, or fail to take any action which would affect the validity or enforcement or nature of the rights transferred to Bank under this Agreement unless and to the extent that such Obligor has concluded in the exercise of reasonable commercial judgment that any such rights are no longer of material importance to the business of such Obligor. Each Obligor agrees and covenants not to sell or assign its interest in, or grant any license under, the Patents, Marks, Copyrights or Licenses, without receiving the prior written consent (such consent not to be unreasonably withheld) of Bank thereto.

4. Certain Covenants, Representations and Warranties of each Obligor. Each Obligor covenants, represents and warrants (to the best of such Obligor's knowledge with respect to any Patents, Marks and Copyrights which are licensed by third parties to such Obligor) that: (i) the Patents, Marks, Copyrights and Licenses are subsisting, have not been adjudged invalid or unenforceable in whole or in part, and are not currently being challenged in any way; (ii) none of the Patents, Marks, Copyrights and Licenses have lapsed or expired or have been abandoned, whether due to any failure to pay any maintenance or other fees or make any filing or otherwise; (iii) each of the Patents, Marks, Copyrights and Licenses is valid and enforceable and such Obligor is unaware of any invalidating prior art (including public uses and sales) relative to the Patents, and is unaware of any impairments to the Patents, Marks, Copyrights or Licenses which would have a material adverse effect on the validity and/or enforceability of the Patents, Marks, Copyrights or Licenses; (iv) to the best of such Obligor's knowledge, no claim has been made that the use of any of the Patents, Marks, Copyrights or Licenses constitutes an infringement; (v) such Obligor owns the entire right, title and interest in and to each of the Patents, Marks and Copyrights (other than those being licensed to such Obligor pursuant to the Licenses) free and clear of any Liens and encumbrances of every kind and nature, and the Licenses are valid and subsisting licenses with respect to the Patents, Marks, Copyrights described therein, free and clear of any Liens and encumbrances of every kind and nature arising by, through or under such Obligor, in each case except for (A) rights granted by such Obligor pursuant to the applicable licenses listed on Schedules C and E, and (B) Liens and encumbrances in favor of Bank pursuant to this Agreement or the other Financing Agreements and other Permitted Liens; (vi) the Patents, Marks and Copyrights and Licenses listed on Schedules A, B, C, D and E constitute all such

items in which such Obligor has any right, title or interest; (vii) such Obligor has the unqualified right to enter into this Agreement and perform its terms; (viii) such Obligor will continue to use proper statutory notice in connection with its use of the Patents, Marks and Copyrights (except as to any thereof which is no longer material to such Obligor's business); and (ix) such Obligor will use standards of quality in its manufacture of products sold under the Marks consistent with those currently employed by it.

5. **New Patents, Marks, Copyrights and Licenses.** If, before the Liabilities shall have been satisfied in full and the Loan Agreement shall have been terminated, any Obligor shall (i) obtain rights to any new patentable inventions, trademarks, service marks, trademark or service mark registrations, copyrights, copyright registrations, trade names or licenses, or (ii) become entitled to the benefit of any patent, trademark or service mark application, trademark, service mark, trademark or service mark registration, copyrights, copyright registrations, license or license renewal, or patent for any reissue, division, continuation, renewal, extension, or continuation-in-part of any Patent or any improvement on any Patent, the provisions of Section 2 above shall automatically apply thereto and such Obligor shall give to Bank prompt written notice thereof. Each Obligor hereby authorizes Bank to modify this Agreement by noting any future acquired Patents, Marks, Copyrights on Schedule A, B or D and any Licenses and licensed Patents, Marks or Copyrights on Schedules C or E, as applicable; provided, however, that the failure of Bank to make any such notation shall not limit or affect the obligations of any Obligor or rights of Bank hereunder.

6. **Royalties; Terms.** Each Obligor hereby agrees that the security interest of Bank in all Patents, Marks, Copyrights and Licenses as described above shall be worldwide (or in the case of the Patents, Marks and Copyrights licensed to an Obligor such smaller geographic location if any is specified for such Obligor's use in the applicable License) and, without any liability for royalties or other related charges from Bank to such Obligor. The term of the security interest granted herein shall extend until the earlier of (i) the expiration of each of the respective Patents, Marks, Copyrights and Licenses assigned hereunder, or (ii) satisfaction in full of the Liabilities and termination of the Loan Agreement.

7. **Inspection.** From and after the occurrence and during the continuance of a Default and notice by Bank to each Obligor of Bank's intention to enforce its rights and claims against any of the Patents, Marks, Copyrights and Licenses, each Obligor agrees that Bank, or a conservator appointed by Bank, shall have the right to establish such additional product quality controls as Bank or said conservator, in its sole judgment, may deem necessary to assure maintenance of the quality of products sold by such Obligor under the Marks consistent with the quality of products now manufactured by such Obligor.

8. **Termination of Each Obligor's Interest.** This Agreement is made for collateral purposes only. Upon satisfaction in full of the Liabilities and termination of the Loan Agreement, subject to any disposition thereof which may have been made by Bank pursuant hereto or pursuant to any of the other Financing Agreements, the security interest granted hereunder shall automatically be extinguished. Bank shall, at each Obligor's reasonable expense, execute and deliver to such Obligor, all termination statements and other instruments as

may be necessary or proper to evidence the termination of Bank's security interest granted to Bank pursuant to this Agreement, subject to any disposition thereof which may have been made by Bank pursuant hereto or pursuant to any of the other Financing Agreements. Any such termination statements and instruments shall be without recourse upon or warranty by Bank.

9. **Duties of the Obligors.** Except to the extent the same is no longer material to such Obligor's business, each Obligor shall have the duty (i) to prosecute diligently any patent application of the Patents, any application respecting the Marks, and any copyright application of the Copyrights pending as of the date hereof or thereafter, (ii) to make application on unpatented but patentable inventions and on registerable but unregistered trademarks, service marks and copyrights, and (iii) to preserve, maintain and enforce against infringement all rights in patent applications and patents constituting the Patents, in trademark or service mark applications, trademarks, service marks, and trademark or service mark registrations constituting the Marks, and in copyright applications, copyrights and copyright registrations constituting the Copyrights. Any expenses incurred in connection with the foregoing (including, but not limited to, maintenance or renewal fees) shall be borne by the Obligors. Except to the extent the same is no longer material to such Obligor's business, each Obligor shall not abandon any pending patent application, trademark application, copyright application, service mark application, patent, trademark, service mark or copyright without the written consent of Bank (such consent not to be unreasonably withheld).

10. **Bank's Right to Sue.** From and after the occurrence and during the continuance of a Default, Bank shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce the Patents, the Marks, the Copyrights and the Licenses, and any licenses thereunder, and, if Bank shall commence any such suit, each Obligor shall, at the request of Bank, do any and all lawful acts and execute any and all proper documents reasonably required by Bank in aid of such enforcement, and each Obligor shall promptly, upon demand, reimburse and indemnify Bank for all reasonable costs and expenses incurred by Bank in the exercise of its rights under this Section 10.

11. **Waivers.** No course of dealing between any Obligor and Bank, nor any failure to exercise, nor any delay in exercising, on the part of Bank, any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

12. **Severability.** The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

13. **Modification.** This Agreement cannot be altered, amended or modified in any way, except as specifically provided in Section 5 hereof or by a writing signed by the parties hereto.

14. **Further Assurances.** Each Obligor shall execute and deliver to Bank, at any time or times hereafter at the reasonable request of Bank, all papers (including, without limitation, any as may be deemed desirable by Bank for filing or recording with any Patent and Trademark Office, and any successor thereto) and take all such actions (including, without limitation, paying the cost of filing or recording any of the foregoing in all public offices reasonably deemed desirable by Bank), as Bank may reasonably request, to evidence Bank's interest in the Patents, Marks, Copyrights and Licenses and the goodwill associated therewith and enforce Bank's rights under this Agreement.

15. **Cumulative Remedies; Power of Attorney; Effect on Loan Documents.** All of Bank's rights and remedies with respect to the Patents, Marks, Copyrights and Licenses, whether established hereby, by any of the Financing Agreements or otherwise, or by any other agreements or by law shall be cumulative and may be exercised singularly or concurrently. Each Obligor hereby constitutes and appoints Bank as such Obligor's true and lawful attorney-in-fact, with full power of substitution in the premises, with power at any time after the occurrence and during the continuance of a Default, to (i) endorse such Obligor's name on all applications, documents, papers and instruments determined by Bank as necessary or desirable for Bank in the use of the Patents, Marks, Copyrights and Licenses, (ii) take any other actions with respect to the Patents, Marks, Copyrights and Licenses as Bank deems in good faith to be in the best interest of Bank, (iii) grant or issue any exclusive or non-exclusive license under the Patents, Marks or Copyrights to any Person, or (iv) assign, pledge, convey or otherwise transfer title in or dispose of the Patents, Marks, Copyrights or Licenses to any Person. Each Obligor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable until the Liabilities shall have been satisfied in full and the Loan Agreement shall have been terminated. Each Obligor acknowledges and agrees that this Agreement is not intended to limit or restrict in any way the rights and remedies of Bank under the Loan Agreement or any of the Loan Documents but rather is intended to facilitate the exercise of such rights and remedies. Bank shall have, in addition to all other rights and remedies given it by the terms of this Agreement, all rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Patents, Marks, Copyrights or Licenses may be enforced. Each Obligor hereby releases the Bank from any and all claims, causes of action and demands at any time arising out of or with respect to any actions taken or omitted to be taken by the Bank under the powers of attorney granted herein.

16. **Binding Effect; Benefits.** This Agreement shall be binding upon each Obligor and its respective successors and assigns and shall inure to the benefit of Bank and its respective successors, assigns and nominees.

17. **Governing Law.** This Agreement shall be deemed to have been executed and delivered in Chicago, Illinois, and shall be governed by and construed in accordance with the internal laws (as opposed to conflicts of law provisions) of Illinois.

IN WITNESS WHEREOF, the parties hereto have entered into this Patent, Copyright, License and Trademark Security Agreement as of the date first above written.

CIGARS INTERNATIONAL HOLDING COMPANY, INC.

By: [Signature]
Name: _____
Title: _____

CIGARS INTERNATIONAL, INC.

By: [Signature]
Name: _____
Title: _____

The undersigned accepts and agrees to the foregoing Patent, Copyright, License and Trademark Security Agreement as of the date first written above in Chicago, Illinois.

FIFTH THIRD BANK

By: [Signature]
Name: _____
Title: _____

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, the undersigned, a Notary Public in and for said State and County, do hereby certify that ALEX R. MILLER, personally known to me to be the CHAIRMAN of Cigars International Holding Company, Inc., a Delaware corporation (the "Company"), and personally known to me to be the same person whose name is subscribed to the foregoing Patent, Copyright, License and Trademark Security Agreement, appeared before me this day and acknowledged that he/she signed and delivered said assignment as an officer of the Company and caused the seal of the Company to be affixed thereto, pursuant to authority given by the board of directors of the Company, as his/her free and voluntary act and as the free and voluntary act and deed of the Company, for the uses and purposes therein set forth.

GIVEN under my hand and official seal as of the 13 day of July, 2004.

(NOTARIAL SEAL)



Donald M. Salazar
Notary Public

My Commission Expires: 1-25-2005

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, the undersigned, a Notary Public in and for said State and County, do hereby certify that ALEX R. HILLER, personally known to me to be the CHAIRMAN of Cigars International, Inc. (the "Company"), and personally known to me to be the same person whose name is subscribed to the foregoing Patent, Copyright, License and Trademark Security Agreement, appeared before me this day and acknowledged that he/she signed and delivered said assignment as an officer of the Company and caused the seal of the Company to be affixed thereto, pursuant to authority given by the board of directors of the Company, as his/her free and voluntary act and as the free and voluntary act and deed of the Company, for the uses and purposes therein set forth.

GIVEN under my hand and official seal as of the 13 day of July, 2004.

(NOTARIAL SEAL)



Donald M. Salazar
Notary Public

My Commission Expires: 1-25-2005

STATE OF ILLINOIS)
) SS.
 COUNTY OF COOK)

I, the undersigned, a Notary Public in and for said State and County do hereby certify that Joshua L. Van Manen, personally known to me to be the Assistant Vice President of Fifth Third Bank, personally known to me to be the same person whose name is subscribed to the foregoing Patent, Copyright, License and Trademark Security Agreement, appeared before me this day and acknowledged that he/she signed and delivered said agreement as an officer of said bank and caused the seal of said bank to be affixed thereto, pursuant to authority given by the Board of Directors of said bank, as his/her free and voluntary act and as the free and voluntary act and deed of said bank, for the uses and purposes therein set forth.

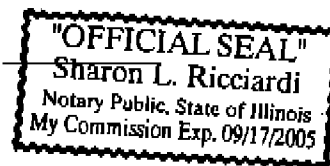
GIVEN under my hand and official seal as of the 13th day of July, 2004.

(NOTARIAL SEAL)

Sharon Ricciardi

 Notary Public

My Commission Expires:



Schedule A

Patents and Patent Applications

None.

Schedule B**Copyrights and Copyright Applications**

Copyright	Registration No.
MBI eSystem Version 03.1	TXu 1-109-043
MBI eSystem Version 03.2	TXu 1-081-266

Schedule C
Patent and Copyright Licenses

[None.]

Schedule D

Trademarks and Service Marks

Trademark	Registration No. (Application)
5 Vegas	2219402
Cuban Honeys!	2688553
Diesel	2706776
La Cuna	2219457
Flor del Todo	2217706
Cu-Avana	2257792
Cedar-Fresh	2243614
Pueblo Dominicano	2123487 ¹
Fidalgo	(76-406,280) ²
El Mejor	(76-406,278)
Cigars International Legends L	(78-380,675)
La Estrella Cubana	(78-309,072)
Humi-Care	(78-339,776)

Service mark	Registration No.
Cigars International (smiley face logo)	2721342
Cigars International (CI logo)	2656618
CigarFest	(78-380,676)

¹ Trademark will be dropped, and replaced with Wordmark, Registration Number 78-309,071, application still pending.

² Opposition Pending

Schedule E

Mark Licenses

- Trademark License Agreement, effective April 1, 2003, between America Western, Inc. and Meier Brothers, Inc.