

Form PTO-1594 (Rev. 07/05)
OMB Collection 0651-0027 (exp. 6/30/2008)

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

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies):

M. Fortunoff of Westbury, LLC

- Individual(s)
- General Partnership
- Corporation- State: _____
- Other Limited Liability Company
- Association
- Limited Partnership

Citizenship (see guidelines) DE

Additional names of conveying parties attached? Yes No

3. Nature of conveyance /Execution Date(s) :

Execution Date(s) July 22, 2005

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

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? Yes No

Name: Back Bay Capital Funding LLC

Internal Address: _____

Address: _____

Street Address: 40 Broad Street

City: Boston

State: MA

Country: USA Zip: 02109

- Association Citizenship _____
- General Partnership Citizenship _____
- Limited Partnership Citizenship _____
- Corporation Citizenship _____
- Other Company Limited Liability Citizenship DE

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)

4. Application number(s) or registration number(s) and Identification or description of the Trademark.

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

1,634,537

Additional sheet(s) attached? Yes No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

FORTUNOFF

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

Name: Christopher E. Kondracki

Internal Address: _____

Street Address: 2001 Jefferson Davis Highway

Suite 1007

City: Arlington

State: VA Zip: 22202

Phone Number: 703-415-1555

Fax Number: 703-415-1557

Email Address: _____

6. Total number of applications and registrations involved:

12

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 315.00

- Authorized to be charged by credit card
- Authorized to be charged to deposit account
- Enclosed

8. Payment Information:

a. Credit Card Last 4 Numbers _____
Expiration Date _____

b. Deposit Account Number 19-3545

Authorized User Name Christopher E. Kondracki

9. Signature: 

Signature

August 5, 2005

Date

Christopher E. Kondracki

Name of Person Signing

Total number of pages including cover sheet, attachments, and document: 28

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to: Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

Conveying Party(ies)
Continuation of the Information for Item 1

Fortunoff Fine Jewelry and Silverware, LLC -- Delaware -- Limited Liability Company
Execution Date: July 22, 2005

Source Financing Corp. -- Delaware -- Corporation
Execution Date: July 22, 2005

Trademark Registration Numbers
Continuation of Item 4 from Recordation Cover Sheet for Trademarks

<u>Registration Number</u>	<u>Mark</u>
1,519,572	AVIGNON
1,420,819	FORTUNOFF
1,305,826	VERITAS
1,413,281	FORTRON
1,246,875	F (Stylized)
1,065,966	THE SOURCE
1,044,488	FORTUNOFF, THE SOURCE
881,240	FSS (Stylized)
802,979	MAYROCK'S
816,872	LADY FORTUNE
1,308,892	PRIME TIME

INTELLECTUAL PROPERTY SECURITY AGREEMENT

INTELLECTUAL PROPERTY SECURITY AGREEMENT (this "Agreement") is made as of this 22nd day of July, 2005, by and among:

M. FORTUNOFF OF WESTBURY, LLC, a limited liability company organized under the laws of the State of Delaware having a place of business at 70 Charles Lindbergh Boulevard, Uniondale, New York 11553 ("MFW LLC"); and

FORTUNOFF FINE JEWELRY AND SILVERWARE, LLC, a limited liability company organized under the laws of the State of Delaware having a place of business at 70 Charles Lindbergh Boulevard, Uniondale, New York 11553 ("FFJS LLC"); and

SOURCE FINANCING CORP., a corporation organized under the laws of the State of Delaware having a place of business at c/o Trimaran Fund Management, L.L.C., 622 Third Avenue, 35th Floor, New York, New York 10017 (the "Facility Guarantor" and together with MFW LLC and FFJS LLC, individually, each an "Grantor" and collectively, the "Grantors"); and

Back Bay Capital Funding LLC, a Delaware limited liability company, as Collateral Agent for the Term B Secured Parties (as defined in the Security Agreements defined below) and as Collateral Agent for the Term C Secured Parties (as defined in the Security Agreements defined below) (in such capacity, herein, the "Collateral Agent") (all references to "Collateral Agent" herein shall refer to both the Collateral Agent for the Term B Secured Parties and the Collateral Agent for the Term C Secured Parties unless the context requires otherwise, in which event the term "Collateral Agent" shall mean Back Bay Capital Funding LLC in its capacity as collateral agent for the applicable Term Lenders).

In consideration of the mutual covenants contained herein and benefits to be derived herefrom, the parties hereto agree as follows:

WITNESSETH:

Reference is made to (a) that certain Term Loan Agreement, dated as of July 22, 2005 (as the same may be amended, modified, supplemented or restated from time to time, the "Term Loan Agreement"), by and among (i) Source Financing I, LLC and Source Financing II, LLC, as Borrowers (the "Borrowers"), (ii) Source Financing Corp., as Facility Guarantor, (iii) the Term Lenders named therein and (iv) Back Bay Capital Funding LLC, as Administrative Agent, as Collateral Agent for the Term B Lenders and as Collateral Agent for the Term C Lenders; and (b) that certain Facility Guarantee, dated as of July 22, 2005 (as the same may be amended, modified, supplemented or restated from time to time, the "Facility Guarantee"), executed by the Facility Guarantor in favor of the Collateral Agent for and on behalf of the Secured Parties. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Term Loan Agreement.

Reference is also made to that certain Security Agreement, dated as of July 22, 2005 (as the same may be amended, modified, supplemented or restated from time to time, the "Source

Security Agreement”), by and among (i) the Borrowers and the Facility Guarantor, as Grantors, and (ii) Back Bay Capital Funding LLC, as Collateral Agent for the Term B Secured Parties and as Collateral Agent for the Term C Secured Parties, pursuant to which the Borrowers and the Facility Guarantor have granted to the Collateral Agent, for the benefit of the Secured Parties, continuing security interests in and to the Collateral (as defined in the Source Security Agreement).

Pursuant to the Merger, (i) Source Financing I, LLC has merged with and into MFW LLC, with MFW LLC as the surviving entity, and (ii) Source Financing II, LLC has merged with and into FFJS LLC, with FFJS LLC as the surviving entity.

Concurrently with the effectiveness of this Agreement, pursuant to that certain Ratification of Loan Documents, dated as of July 22, 2005 (the “Ratification Agreement”), by, among others, MFW LLC, FFJS LLC and the Collateral Agent, MFW LLC and FFJS LLC have ratified and affirmed all and singular the representations, warranties, and covenants of the Borrowers under the Term Loan Agreement and the other Loan Documents and have ratified and affirmed that MFW LLC and FFJS LLC have become Borrowers under the Term Loan Agreement and the other Loan Documents.

Concurrently with the effectiveness of this Agreement and the Ratification Agreement, pursuant to that certain Security Agreement, dated as of July 22, 2005 (as the same may be amended, modified, supplemented or restated from time to time, the “MFW LLC & FFJS LLC Security Agreement”, and together with the Source Security Agreement, the “Security Agreements”), by and among (i) MFW LLC and FFJS LLC, as Grantors, and (ii) Back Bay Capital Funding LLC, as Collateral Agent for the Term B Secured Parties and as Collateral Agent for the Term C Secured Parties, MFW LLC and FFJS LLC have granted to the Collateral Agent, for the benefit of the Secured Parties, continuing security interests in and to the Collateral (as defined in the MFW LLC & FFJS LLC Security Agreement).

The Term Lenders have agreed to make Term Loans to the Borrowers, pursuant to, and upon the terms and subject to the conditions specified in, the Term Loan Agreement, including a covenant requiring the execution and delivery by the Grantors of this Agreement to secure the Borrowers’ prompt payment and performance of the Obligations (as defined in the Term Loan Agreement) and the Facility Guarantor’s prompt payment and performance of the Guarantee Obligations (as defined in the Security Agreements) (the Obligations and the Guarantee Obligations, collectively, the “Obligations”) owing to the Term B Secured Parties Obligations owing to the Term C Secured Parties.

Accordingly, the Grantors and the Collateral Agent, on behalf of itself and each other Secured Party (and each of their respective successors and assigns) hereby agree as follows:

ARTICLE 1 Definitions.

1.1 Generally. All references to the “UCC” shall mean the Uniform Commercial Code as in effect from time to time in the State of New York; provided, however, that if a term is defined in Article 9 of the UCC differently than in another Article thereof, the term shall have the meaning set forth in Article 9, and provided further that if by reason of mandatory provisions

of law, perfection, or the effect of perfection or non-perfection, of the security interests in any IP Collateral (as defined herein) or the availability of any remedy hereunder is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "UCC" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or availability of such remedy, as the case may be.

1.2 Definition of Certain Terms Used Herein. Unless the context otherwise requires, all capitalized terms used but not defined herein shall have the meanings set forth in the Term Loan Agreement. As used herein, the following terms shall have the following meanings:

(a) "Copyrights" shall mean all copyrights in each work of authorship or derivative work thereof of each Grantor, whether registered or unregistered and whether published or unpublished, including, without limitation, the registered copyrights listed on Exhibit A annexed hereto and made a part hereof, together with all registrations and recordings thereof and all applications in connection therewith.

(b) "Copyright Licenses" shall mean all agreements, whether written or oral, providing for the grant by or to any Grantor of any right to use any Copyright, including, without limitation, the agreements listed on Exhibit A annexed hereto and made a part hereof.

(c) "Copyright Office" shall mean the United States Copyright Office or any other federal governmental agency which may hereafter perform its functions.

(d) "Intellectual Property" shall have the meaning assigned to such term in Article 3 hereof.

(e) "IP Collateral" shall mean, collectively, the Term B IP Collateral and the Term C IP Collateral.

(f) "Licenses" shall mean, collectively, the Copyright Licenses, the Patent Licenses and the Trademark Licenses.

(g) "MFW LLC & FFJS LLC Security Agreement" shall have the meaning assigned to such term in the preliminary statement of this Agreement.

(h) "Necessary Intellectual Property" shall mean any and all Intellectual Property that is necessary for the conduct of the business of the Grantors from time to time.

(i) "Obligations" has the meaning assigned to such term in the preliminary statement of this Agreement.

(j) "Patents" shall mean all patents and applications for patents of each such Grantor, and the inventions and improvements therein disclosed, and any and all divisions, reissues and continuations of said patents including, without limitation the

patents or patent applications listed on Exhibit B annexed hereto and made a part hereof, whether now owned or hereafter acquired.

(k) "Patent Licenses" shall mean all agreements, whether written or oral, providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered by a Patent, including, without limitation, the agreements listed on Exhibit B annexed hereto and made a part hereof.

(l) "PTO" shall mean the United States Patent and Trademark Office or any other federal governmental agency which may hereafter perform its functions.

(m) "Security Agreements" shall have the meaning assigned to such term in the preliminary statement of this Agreement.

(n) "Source Security Agreement" shall have the meaning assigned to such term in the preliminary statement of this Agreement.

(o) "Term B IP Collateral" shall have the meaning assigned to such term in Section 2.1(a) hereof.

(p) "Term C IP Collateral" shall have the meaning assigned to such term in Section 2.1(b) hereof.

(q) "Term Loan Agreement" shall have the meaning assigned to such term in the preliminary statement of this Agreement.

(r) "Trademarks" shall mean all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade dress, trade styles, service marks, designs, logos and other source or business identifiers of each Grantor, whether registered or unregistered, including, without limitation, the trademark registrations and applications listed on Exhibit C annexed hereto and made a part hereof, together with all registrations and recordings thereof, all applications in connection therewith, and any goodwill of the business connected with, and symbolized by, any of the foregoing.

(s) "Trademark Licenses" shall mean all agreements, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, the agreements listed on Exhibit C annexed hereto and made a part hereof.

1.3 Rules of Interpretation. The rules of interpretation specified in Section 1.02 of the Term Loan Agreement shall be applicable to this Agreement.

ARTICLE 2 Security Interests.

2.1 (a) In furtherance and as confirmation of the Term B Security Interest (as defined in each of the Security Agreements) granted by the Grantors to the Collateral Agent for

the Term B Secured Parties (for the benefit of the Term B Secured Parties) under the Security Agreements, and as further security for the payment or performance, as the case may be, in full of the Obligations owing to the Term B Secured Parties, each Grantor hereby ratifies such Term B Security Interest and grants to the Collateral Agent for the Term B Secured Parties (for the benefit of the Term B Secured Parties) a continuing security interest in all of the present and future right, title and interest of the Grantors in and to the following property, and each item thereof, whether now owned or existing or hereafter acquired or arising, together with all products, proceeds, substitutions, and accessions of or to any of the following property (collectively, the "Term B IP Collateral"):

- (i) All Copyrights and Copyright Licenses.
- (ii) All Patents and Patent Licenses.
- (iii) All Trademarks and Trademark Licenses.
- (iv) All renewals of any of the foregoing.
- (v) All General Intangibles connected with the use of, or related to, any and all Intellectual Property (including, without limitation, all goodwill of the Grantors and their business, products and services appurtenant to, associated with, or symbolized by, any and all Intellectual Property and the use thereof).
- (vi) All income, royalties, damages and payments now and hereafter due and/or payable under and with respect to any of the foregoing, including, without limitation, payments under all Licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof.
- (vii) The right to sue for past, present and future infringements and dilutions of any of the foregoing.
- (viii) All of the Grantors' rights corresponding to any of the foregoing throughout the world.

(b) In furtherance and as confirmation of the Term C Security Interest (as defined in each of the Security Agreements) granted by the Grantors to the Collateral Agent for the Term C Secured Parties (for the benefit of the Term C Secured Parties) under the Security Agreements, and as further security for the payment or performance, as the case may be, in full of the Obligations owing to the Term C Secured Parties, each Grantor hereby ratifies such Term C Security Interest and grants to the Collateral Agent for the Term C Secured Parties (for the benefit of the Term C Secured Parties) a continuing security interest in all of the present and future right, title and interest of the Grantors in and to the following property, and each item thereof, whether now owned or existing or hereafter acquired or arising, together with all products, proceeds, substitutions, and accessions of or to any of the following property (collectively, the "Term C IP Collateral"):

- (i) All Copyrights and Copyright Licenses.
- (ii) All Patents and Patent Licenses.
- (iii) All Trademarks and Trademark Licenses.
- (iv) All renewals of any of the foregoing.
- (v) All General Intangibles connected with the use of, or related to, any and all Intellectual Property (including, without limitation, all goodwill of the Grantors and their business, products and services appurtenant to, associated with, or symbolized by, any and all Intellectual Property and the use thereof).
- (vi) All income, royalties, damages and payments now and hereafter due and/or payable under and with respect to any of the foregoing, including, without limitation, payments under all Licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof.
- (vii) The right to sue for past, present and future infringements and dilutions of any of the foregoing.
- (viii) All of the Grantors' rights corresponding to any of the foregoing throughout the world.

2.2 Notwithstanding the foregoing, in no event shall the IP Collateral include any trademark application filed in the PTO on the basis of any Grantor's "intent to use" such mark unless and until the earlier of the filing and acceptance of an amendment to allege use or statement of use.

2.3 The security interests granted under this Article 2 shall not attach to (a) any license, to which any Grantor is a party or any of its rights or interests thereunder if the grant of such security interest shall constitute or result in (i) the abandonment, invalidation or unenforceability of any right, title or interest of such Grantor therein or (ii) in a breach or termination pursuant to the terms of, or a default under, any such license, (other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) of any relevant jurisdiction or any other applicable law (including Title 11 of the United States Code entitled "Bankruptcy") or principals of equity); provided that the Proceeds realized from any of the foregoing shall not be deemed excluded from the security interests granted under this Article 2, and provided further that to the extent such security interest at any time hereafter shall no longer be prohibited, the Grantors shall be deemed to have granted automatically and without any further action security interests in, such right as if such restriction had never existed.

ARTICLE 3 Protection of Intellectual Property By Grantors.

Except as set forth below in this Article 3, the Grantors shall undertake the following with respect to each of the items respectively described in Section 2(a)(i) through (v), inclusive, and Section 2(b)(i) through (v), inclusive (collectively, the "Intellectual Property"):

3.1 Pay all renewal fees and other fees and costs associated with maintaining the Necessary Intellectual Property and with the processing of the Necessary Intellectual Property and take all other reasonable and necessary steps to maintain each registration of the Necessary Intellectual Property in the United States.

3.2 Take all actions reasonably necessary to prevent any of the Necessary Intellectual Property from becoming forfeited, abandoned, dedicated to the public, invalidated or impaired in any way.

3.3 At the Grantors' sole cost, expense, and risk, pursue the prompt, diligent processing of each application for registration of Necessary Intellectual Property and not abandon or delay any such efforts.

3.4 At the Grantors' sole cost, expense, and risk, take any and all action which the Grantors reasonably deem appropriate under the circumstances to protect the Necessary Intellectual Property from infringement, misappropriation or dilution, including, without limitation, the prosecution and defense of infringement actions.

Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, and no Material Adverse Effect would result therefrom, no Grantor shall have an obligation to use or to maintain any Intellectual Property (i) that relates solely to any product or service that has been discontinued, abandoned or terminated, or (ii) that has been replaced with Intellectual Property substantially similar to the Intellectual Property that may be abandoned or otherwise become invalid, so long as the failure to use or maintain such Intellectual Property does not materially adversely affect the validity of such replacement Intellectual Property and so long as such replacement Intellectual Property is subject to the lien created by this Agreement.

ARTICLE 4 Grantor's Representations and Warranties

The Grantors represent and warrant that:

4.1 Exhibit A is a true, correct and complete list of all registered Copyrights owned by the Grantors and material Copyright Licenses held by the Grantors as of the date hereof.

4.2 Exhibit B is a true, correct and complete list of all registered or applied for Patents owned by the Grantors, and material Patent Licenses held by the Grantors as of the date hereof.

4.3 Exhibit C is a true, correct and complete list of all registered or applied for Trademarks owned by the Grantors and material Trademark Licenses held by the Grantors as of the date hereof.

4.4 Except as set forth in Exhibits A, B and C, none of the Necessary Intellectual Property is the subject of any licensing or franchise agreement pursuant to which any Grantor is the licensor or franchisor.

4.5 All IP Collateral is, and shall remain, free and clear of all Liens, encumbrances, or security interests in favor of any Person, other than Permitted Encumbrances, Liens in favor of the Collateral Agent (for the benefit of the Term B Secured Parties and the Term C Secured Parties, respectively) and Liens permitted by Section 6.02 of the Term Loan Agreement.

4.6 Each Grantor owns, has rights to use, or is licensed to use, all Necessary Intellectual Property. To the knowledge of the Grantors, no material claim has been asserted in writing and is pending by any Person challenging the use by any Grantor of any of the Intellectual Property owned by any Grantor or the validity of any of the Intellectual Property owned by any Grantor, nor does any Grantor know of any valid basis for any such claim, except as otherwise set forth in Schedule 3.06(b) to the Term Loan Agreement. To the knowledge of the Grantors, the use by the Grantors of the Intellectual Property does not infringe the rights of any Person in any material respect. To the knowledge of the Grantors, no holding, decision or judgment has been rendered by any Governmental Authority which would limit or cancel any Grantor's rights in, any Intellectual Property in any respect that could reasonably be expected to have a Material Adverse Effect on the business or the property of any Grantor.

4.7 The Grantors shall give the Collateral Agent written notice (with reasonable detail) on or before the last business day of each calendar quarter of the occurrence of any of the following during such calendar quarter:

(a) The Grantors' obtaining the registration of or filing applications for registration of, any new Intellectual Property, or otherwise acquiring ownership of any newly registered Intellectual Property (other than the Grantors' right to sell products containing the trademarks of others in the ordinary course of the Grantors' business).

(b) The Grantors' becoming entitled to the benefit of any registered Intellectual Property whether as licensee or licensor (other than the Grantors' right to sell products containing the trademarks of others in the ordinary course of the Grantors' business).

(c) The Grantors' entering into any new Licenses which would constitute Necessary Intellectual Property or the occurrence of any License becoming Necessary Intellectual Property.

4.8 The Grantors shall give the Collateral Agent written notice (with reasonable detail) within twenty (20) days following the occurrence of the Grantors' knowing that any application or registration relating to any Necessary Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any adverse determination or development materially affecting the application, registration or validity of any Necessary Intellectual Property, or the Grantors' right to own and maintain any Necessary Intellectual Property (including, without limitation, the institution of, or any such determination or development in, any opposition or

cancellation proceeding in the PTO, the Copyright Office or any court or tribunal against Grantors).

ARTICLE 5 Agreement Applies to Future Intellectual Property.

5.1 The provisions of this Agreement shall automatically apply to any such additional IP Collateral or rights described in subsections (a), (b) and (c) of Section 4.7, above, all of which shall be deemed to be and treated as "Intellectual Property" within the meaning of this Agreement. Upon the acquisition by any Grantor of any IP Collateral, such Grantor shall deliver an updated Exhibit A, B, and/or C, as applicable, to this Agreement to the Collateral Agent and hereby authorizes the Collateral Agent to file, at such Grantor's expense, such updated Exhibit as set forth in Section 5.2.

5.2 Upon the reasonable request of the Collateral Agent, the Grantors shall execute and deliver, and record or have recorded, any and all agreements, instruments, documents and papers as the Collateral Agent may request to evidence the Collateral Agent's security interests in any Copyright, Patent or Trademark owned by such Grantor (including, without limitation, filings with the PTO, The Copyright Office or any similar office), and the Grantors hereby constitute the Collateral Agent as their attorney-in-fact to execute and file all such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; provided, however, the Collateral Agent's taking of such action shall not be a condition to the creation or perfection of the security interests created hereby.

ARTICLE 6 Grantors' Rights To Enforce Intellectual Property.

Prior to the occurrence of an Event of Default, the Grantors shall have the exclusive right to sue for past, present and future infringement of the Intellectual Property including the right to seek injunctions and/or money damages, in an effort by the Grantors to protect the Intellectual Property against encroachment by third parties, provided, that

6.1 The Grantors shall provide the Collateral Agent with prior written notice of the Grantors' institution of any legal proceedings for enforcement of any Necessary Intellectual Property.

6.2 Any money damages awarded or received by the Grantors on account of such suit (or the threat of such suit) shall constitute IP Collateral.

6.3 Following the occurrence of any Event of Default, the Collateral Agent, by notice to the Grantors may terminate or limit the Grantors' rights under this Article 6.

ARTICLE 7 Collateral Agent's Actions To Protect Intellectual Property.

In the event of:

(a) the Grantors' failure, within fifteen (15) days of written notice from the Collateral Agent, to cure any failure by the Grantors to observe or perform any of the Grantors' covenants, agreements or other obligations hereunder; and/or

- (b) the occurrence and continuance of any other Event of Default,

the Collateral Agent, acting in its own name or in that of the Grantors, may (but shall not be required to) act in the Grantors' place and stead and/or in the Collateral Agent's own right in connection therewith.

ARTICLE 8 Rights Upon Default.

Upon the occurrence of any Event of Default, in addition to all other rights and remedies of the Collateral Agent set forth in the other Loan Documents, the Collateral Agent shall be entitled to exercise all rights and remedies of a secured party under the UCC as adopted in the State of New York, with respect to the Intellectual Property, in addition to which the Collateral Agent may sell, license, assign, transfer, or otherwise dispose of the Intellectual Property in any manner, in whole or in part, as the Collateral Agent may determine from time to time in its discretion. Any person may conclusively rely upon an affidavit of an officer of the Collateral Agent that an Event of Default has occurred and that the Collateral Agent is authorized to exercise such rights and remedies.

ARTICLE 9 Collateral Agent As Attorney In Fact.

9.1 The Grantors hereby irrevocably constitute and designate the Collateral Agent, and any officer or agent of the Collateral Agent as the Collateral Agent may select in its sole discretion, as and for the Grantors' attorney in fact, with full power of substitution and with the power to endorse each such Grantor's name, effective following the occurrence and during the continuance of an Event of Default:

(a) To supplement and amend from time to time Exhibits A, B and C of this Agreement to include any new or additional Intellectual Property of the Grantors.

(b) To exercise any of the rights and powers of the Collateral Agent referenced herein.

(c) To execute all such instruments, documents, and papers as the Collateral Agent determines to be appropriate in connection with the exercise of such rights and remedies and to cause the sale, license, assignment, transfer, or other disposition of the Intellectual Property.

9.2 The power of attorney granted herein, being coupled with an interest, shall be irrevocable until this Agreement is terminated in writing by a duly authorized officer of the Collateral Agent.

9.3 The Collateral Agent shall not be obligated to do any of the acts or to exercise any of the powers authorized by Section 9.1, but if the Collateral Agent elects to do any such act or to exercise any of such powers, it shall not be accountable for more than it actually receives as a result of such exercise of power, and shall not be responsible to any Grantor for any act or omission to act except for any act or omission to act as to which there is a final determination made in a judicial proceeding (in which proceeding the Collateral Agent has had an opportunity

to be heard) which determination includes a specific finding that the subject act or omission to act had been grossly negligent or constituted willful misconduct.

ARTICLE 10 Collateral Agent's Rights.

Any use by the Collateral Agent of the Intellectual Property, as authorized hereunder in connection with the exercise of the Collateral Agent's rights and remedies under this Agreement and under the Term Loan Agreement, shall be coextensive with the Grantors' rights thereunder and with respect thereto and without any liability for royalties or other related charges.

ARTICLE 11 Intent.

This Agreement is being executed and delivered by the Grantors for the purpose of registering and confirming the security interests granted to the Collateral Agent (for the benefit of the Term B Secured Parties and the Term C Secured Parties, respectively) in the IP Collateral with the PTO and the Copyright Office. It is intended that the security interests granted pursuant to this Agreement are granted as a supplement to, and not in limitation of, the Security Interests (as defined in each of the Security Agreements) granted to the Collateral Agent, for the benefit of the Term B Secured Parties and Term C Secured Parties, respectively, under the Security Agreements. All provisions of the Security Agreements shall apply to the IP Collateral. The Collateral Agent shall have the same rights, remedies, powers, privileges and discretions with respect to the security interests created in the IP Collateral as in all other Collateral. In the event of a conflict between this Agreement and the Security Agreements, the terms of this Agreement shall control with respect to the IP Collateral and the Security Agreements with respect to all other Collateral.

ARTICLE 12 Further Assurances.

Grantors will execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements and other documents), that may be required under any Applicable Law, or which the Collateral Agent may reasonably request, to grant, preserve, protect or perfect the Liens created or intended to be created hereby or the validity or priority of such Liens, all at the expense of Grantors. Each Grantor also agrees to provide to the Collateral Agent, from time to time upon request, evidence reasonably satisfactory to the Collateral Agent as to the perfection and priority of the Liens created or intended to be created hereby.

ARTICLE 13 Governing Law.

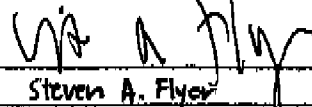
THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[SIGNATURE PAGES FOLLOW]

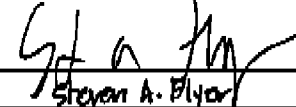
IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

GRANTORS:

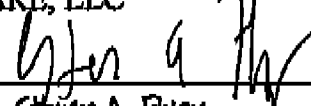
SOURCE FINANCING CORP.

By: 
Name: Steven A. Flyor
Title: Vice President and Secretary

M. FORTUNOFF OF WESTBURY, LLC

By: 
Name: Steven A. Flyor
Title: Vice President and Secretary

FORTUNOFF FINE JEWELRY AND SILVERWARE, LLC

By: 
Name: Steven A. Flyor
Title: Vice President and Secretary

CERTIFICATE OF ACKNOWLEDGMENT

COMMONWEALTH OR STATE OF NEW YORK)

) ss.

COUNTY OF NEW YORK)

On this 22ND day of JULY, 2005, before me, the undersigned notary public, personally appeared STEVEN FLYER, proved to me through satisfactory evidence of identification, which were DRIVERS LICENSE, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that (he)(she) signed it voluntarily for its stated purpose (as Vice President and Secretary for Source Financing Corp., a Delaware corporation).

Jennifer Kraft
(official signature and seal of notary)

My commission expires:

JENNIFER KRAFT
NOTARY PUBLIC, State of New York
No. 01KR6115598
Qualified in New York County
Commission Expires Sept. 7, 2008

CERTIFICATE OF ACKNOWLEDGMENT

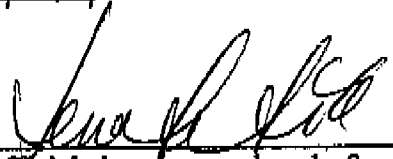
COMMONWEALTH OR STATE OF NEW YORK)

) ss.

COUNTY OF NEW YORK)

On this 22ND day of JULY, 2005, before me, the undersigned notary public, personally appeared STEVEN FLYER, proved to me through satisfactory evidence of identification, which were DRIVERS LICENSE, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that (he)(she) signed it voluntarily for its stated purpose (as Vice President and Secretary for M. Fortunoff of Vestbury, LLC, ^{and} a Delaware limited liability company).

Fortunoff Fine Jewelry and Silverware, LLC


(official signature and seal of notary)

My commission expires:

JENNIFER KRAFT
NOTARY PUBLIC, State of New York
No. 01KR0115588
Qualified in New York County
Commission Expires Sept. 7, 2008

EXHIBIT A**List of Copyrights and Copyright Licenses****Copyright Registrations and Applications**

Title	Registration Number	Registration Date	Author/Owner
"Some architects work in concrete or glass. Others prefer gold and pearls."	TX1811402	11/13/85	Fortunoff Fine Jewelry and Silverware, LLC
"One of New York's jewels: December 1985"	TX1757784	2/11/86	Fortunoff Fine Jewelry and Silverware, LLC
"You can tell a great necklace by the way it reflects the light"	TX1729923	9/30/85	Fortunoff Fine Jewelry and Silverware, LLC

Copyright Licenses

None.

EXHIBIT B

List of Patents and Patent Licenses

None.

EXHIBIT C**List of Trademarks and Trademark Licenses****Trademark Registrations and Applications****Trademarks****United States**

Mark	Re./App. No.	Reg. Date	Listed Owner
FORTUNOFF	United States 1,634,537	2/5/91	Fortunoff Fine Jewelry and Silverware, LLC
AVIGNON	United States 1,519,572	1/10/89	Fortunoff Fine Jewelry and Silverware, LLC
FORTUNOFF	United States 1,420,819	12/19/86	Fortunoff Fine Jewelry and Silverware, LLC
VERITAS	United States 1,305,826	11/20/84	Fortunoff Fine Jewelry and Silverware, LLC
FORTRON	United States 1,413,281	10/14/86	Fortunoff Fine Jewelry and Silverware, LLC
F (Stylized)	United States 1,246,875	8/2/83	Fortunoff Fine Jewelry and Silverware, LLC
THE SOURCE	United States 1,065,966	5/17/77	Fortunoff Fine Jewelry and Silverware, LLC
FORTUNOFF, THE SOURCE	United States 1,044,488	7/20/76	Fortunoff Fine Jewelry and Silverware, LLC
FSS (Stylized)	United States 881240	11/25/69	Fortunoff Fine Jewelry and Silverware, LLC

Mark	Re./App. No.	Reg. Date	Listed Owner
MAYROCK'S	United States 802,979	2/1/66	*M. Fortunoff of Westbury Corp.
LADY FORTUNE	United States 816,872	10/18/66	Fortunoff Fine Jewelry and Silverware, LLC
PRIME TIME	United States 1,308,892	12/11/84	Fortunoff Fine Jewelry and Silverware, LLC

Foreign

Mark	Re./App. No.	Reg. Date	Listed Owner
FORTUNOFF, THE SOURCE	Argentina 1699958	11/3/98	Fortunoff Fine Jewelry & Silverware, LLC
FORTRON	Australia A410110	6/14/84	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Australia A507019	3/17/89	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Australia A393761	7/7/83	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Bahamas 11332	6/29/98	Fortunoff Fine Jewelry & Silverware, LLC
THE SOURCE	Canada TMA0311678	2/28/86	Fortunoff Fine Jewelry and Silverware, LLC
FORTUNOFF, THE SOURCE	Canada TMA0311679	2/28/86	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	European Community 1242072	10/23/01	Fortunoff Fine Jewelry & Silverware, LLC
FORTRON	Taiwan 280446	4/6/95	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Taiwan 502304	7/1/94	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Taiwan 498532	9/16/00	Fortunoff Fine Jewelry & Silverware, LLC

Mark	Re./App. No.	Reg. Date	Listed Owner
FORTUNOFF	Taiwan 483514	5/1/00	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	France 1251719	11/21/83	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Germany 1063354	5/15/84	Fortunoff Fine Jewelry & Silverware, LLC
FORTRON	Hong Kong 920/1985	6/20/84	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Hong Kong 66/1992	5/17/90	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Hong Kong 5251/94	5/17/90	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Hong Kong 3098/1991	5/17/90	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Hong Kong 8743/1995	3/2/95	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Hong Kong 1410/1986	3/4/85	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	India 4233458	6/18/98	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Ireland 114669	6/12/91	Fortunoff Fine Jewelry & Silverware, LLC

Mark	Re./App. No.	Reg. Date	Listed Owner
FORTRON	Ireland 111518	6/12/91	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Ireland 114668	6/12/91	Fortunoff Fine Jewelry & Silverware, LLC
FORTRON	Israel 59009	6/20/91	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Israel 57369	10/17/90	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Italy 419365	11/16/83	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Italy 419366	10/16/83	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Jamaica 821841	7/4/91	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Japan 4695944	8/1/03	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Japan 2334888	9/30/91	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Japan 2329398	8/30/91	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Japan 2472630	10/30/92	Fortunoff Fine Jewelry & Silverware, LLC

Mark	Re./App. No.	Reg. Date	Listed Owner
FORTUNOFF	Japan 2354788	11/29/91	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Japan 2443475	8/31/92	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Japan 2427630	10/30/92	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Japan 2435287	7/31/92	Fortunoff Fine Jewelry & Silverware, LLC
THE SOURCE	Japan 1948578	4/30/87	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Korea (South) 201135	9/20/00	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Korea (South) 209487	2/6/01	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Korea (South) 211991	4/1/01	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Korea (South) 106287	10/24/94	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Korea (South) 106285	10/24/94	Fortunoff Fine Jewelry & Silverware, LLC

Mark	Re./App. No.	Reg. Date	Listed Owner
FORTUNOFF	Macao 441-M	8/13/00	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Macao 442-M	7/2/00	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Malaysia 85/03426	8/6/92	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Mexico 815545	5/7/02	Fortunoff Fine Jewelry & Silverware, LLC
FORTRON	New Zealand 153232	6/13/91	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	New Zealand 153230	6/13/91	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	New Zealand 153231	6/13/91	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Pakistan 87254	8/15/92	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Paraguay 203627	4/27/98	Fortunoff Fine Jewelry & Silverware, LLC

Mark	Re./App. No.	Reg. Date	Listed Owner
FORTUNOFF, THE SOURCE	Puerto Rico 26751	10/5/96	Fortunoff Fine Jewelry & Silverware, LLC
FORTRON	Singapore T84/03549	6/28/01	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Singapore 85646/83	10/27/90	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Republic of South Africa 5217/84	6/13/94	Fortunoff Fine Jewelry & Silverware, LLC
FORTRON (Special Script)	Switzerland 327998	10/21/03	Fortunoff Fine Jewelry & Silverware, LLC
FORTRON (Special Script)	Switzerland 8181	10/21/83	Fortunoff Fine Jewelry & Silverware, LLC
FORTRON PALACE	Switzerland 334309	9/6/84	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	Switzerland 341676	9/4/85	Fortunoff Fine Jewelry & Silverware, LLC
THE SOURCE	Switzerland 336827	7/24/84	Fortunoff Fine Jewelry & Silverware, LLC

Mark	Re./App. No.	Reg. Date	Listed Owner
FORTUNOFF, THE SOURCE	Thailand 284729/KOR29346	5/2/95	Fortunoff Fine Jewelry & Silverware, LLC
FORTRON	U.K. 1220636	7/12/91	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF	U.K. B1243261	6/3/92	Fortunoff Fine Jewelry & Silverware, LLC
FORTRON	Virgin Islands 5484	10/14/86	Fortunoff Fine Jewelry & Silverware, LLC
FORTUNOFF, THE SOURCE	Virgin Islands 6419	7/20/96	Fortunoff Fine Jewelry & Silverware, LLC

Trademark Licenses

The following third-party businesses operate under trade names and trademarks incorporating the FORTUNOFF trade name and trademark:

1. Fortunoff's Hewlett, Inc., located in Long Island, New York.
2. Fortunoff Housewares & Gifts, located in the Bronx, New York.

The mark "Fortunoff" is registered in Benelux by an unaffiliated entity which markets clothing under the mark.