

TRADEMARK ASSIGNMENT

Electronic Version v1.1  
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY INTEREST

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
ADEN & ANAIS, INC.		01/06/2012	CORPORATION: NEW YORK

RECEIVING PARTY DATA

Name:	ONEWEST BANK, FSB
Street Address:	888 EAST WALNUT STREET - HQ-05-03
Internal Address:	ATTN: GARY KIRSHNER
City:	PASADENA
State/Country:	CALIFORNIA
Postal Code:	91101
Entity Type:	FEDERAL SAVINGS BANK: UNITED STATES

PROPERTY NUMBERS Total: 18

Property Type	Number	Word Mark
Serial Number:	77905696	ISSIE
Serial Number:	77905703	WONDERWRAP
Serial Number:	77906568	MUM+BUB
Serial Number:	77907501	SERENITY STAR
Serial Number:	85106700	IDEAL BABY
Serial Number:	85106713	FUNDAMENTALS
Serial Number:	85161927	EASY SWADDLE
Serial Number:	85164715	SPEEDY SWADDLE
Serial Number:	85306720	MUSY
Serial Number:	85313897	NIBBLE
Registration Number:	3828300	SWADDLEGIFT
Registration Number:	3615471	ADEN + ANAIS
Registration Number:	3615472	ADEN + ANAIS

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Registration Number:	3768984	MADE FOR BABY. DESIGNED FOR YOU.
Registration Number:	3769005	SWADDLEPLUS
Registration Number:	3769521	BURPY BIB
Registration Number:	3930252	THE ULTIMATE IN SOFTNESS AND BREATHABILITY
Registration Number:	3864640	FOR EVERY MOTHER. FOR EVERY CHILD. FOR EVERY MOMENT.

**CORRESPONDENCE DATA**

Fax Number: (213)226-4028  
Phone: 213-488-7100  
Email: kevin.davis@pillsburylaw.com  
*Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent via US Mail.*  
Correspondent Name: ANNA PARK, ESQ.  
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Address Line 2: 725 SOUTH FIGUEROA STREET, SUITE 2800  
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ATTORNEY DOCKET NUMBER:	094327-0000022
NAME OF SUBMITTER:	ANNA PARK
Signature:	/Anna Park/
Date:	01/06/2012

**Total Attachments: 31**

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## SECURITY AGREEMENT

This SECURITY AGREEMENT (this "Agreement") is dated as of January 6, 2012, and made by ADEN & ANAIS, INC., a New York corporation (the "Grantor"), in favor of ONEWEST BANK, FSB (the "Lender").

### RECITALS

A. The Lender has entered into that certain Credit Agreement dated as of even date herewith (said Agreement, as it may hereafter be amended, restated, supplemented or otherwise modified from time to time, being called the "Credit Agreement") with the Grantor.

B. It is a condition precedent to the extension of credit by the Lender under the Credit Agreement that the Grantor shall have executed and delivered this Agreement.

C. Terms defined in the Credit Agreement and not otherwise defined herein have the same respective meanings when used herein. Schedule and Exhibit references are to this Agreement unless otherwise specified, and each such Schedule and Exhibit is incorporated herein.

### AGREEMENT

NOW, THEREFORE, in order to induce the Lender to enter into the Credit Agreement and for other good and valuable consideration, the receipt and adequacy of which hereby is acknowledged, the Grantor hereby represents, warrants, covenants, agrees, assigns and grants as follows:

1. Definitions. Unless the context otherwise requires, terms defined in the Uniform Commercial Code of the State of New York (the "Uniform Commercial Code") and not otherwise defined in this Agreement or in the Credit Agreement shall have the meanings defined for those terms in the Uniform Commercial Code. In addition, the following terms shall have the meanings respectively set forth after each:

"Certificates" means all certificates, instruments and other documents now or hereafter representing or evidencing any Pledged Securities or any Pledged Limited Liability Company Interests.

"Collateral" means all present and future right, title and interest of the Grantor in or to any property or assets whatsoever, whether now owned or existing or hereafter arising or acquired and wheresoever located, and all rights and powers of the Grantor to transfer any interest in or to any property or assets whatsoever, including, any and all of the following property:

(a) All present and future accounts, accounts receivable, agreements, guarantees, contracts, leases, licenses, contract rights, health care receivables, letter of credit rights and other rights to payment (collectively, the “Accounts”), together with all instruments, documents, chattel paper, security agreements, guaranties, undertakings, surety bonds, insurance policies, notes and drafts, all other supporting obligations, and all forms of obligations owing to the Grantor or in which the Grantor may have any interest, however created or arising;

(b) All present and future general intangibles (including payment intangibles), agreements, guarantees, contracts, contract rights, franchises, subscriptions, letter-of-credit rights, instruments, documents, leases, licenses and rights to payment; and all other forms of obligations owing to the Grantor or in which the Grantor may have any interest, however created or arising; all tax refunds of every kind and nature to which the Grantor now or hereafter may become entitled, however arising, all other refunds, all commitments to extend financing to the Grantor, all judgments, causes in action and claims, and all deposits, goodwill, choses in action, trade secrets, computer programs, software, customer lists, licenses, technology, processes, proprietary information, insurance proceeds and warranties, the Copyrights, the Patents, the Marks and the goodwill of the Grantor’s business connected with and symbolized by the Marks; provided that no security interest shall be granted in United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable law;

(c) All present and future demand, time, savings, passbook, deposit and like accounts (general or special) (collectively, the “Deposit Accounts”) in which the Grantor has any interest, which are maintained with any bank, savings and loan association, credit union or like organization, including, each account listed on Schedule E (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), and all money, cash and cash equivalents of the Grantor, whether or not deposited in any Deposit Account;

(d) All present and future books and records, including books of account and ledgers of every kind and nature, all electronically recorded data relating to the Grantor or the business thereof, all receptacles and containers for such records, and all files and correspondence;

(e) All present and future goods, including all furniture, fixtures, furnishings, machinery, automobiles, trucks, other vehicles, spare parts, supplies, equipment, tooling, molds, patterns and dies, all computers, computer tapes and disks and computer equipment, and all other tangible property owned by the Grantor and used, held for use or useful in connection with its business, wherever located, and all other goods used in connection with or in the conduct of the Grantor’s business or otherwise owned by the Grantor (collectively, the “Equipment”);

(f) All present and future inventory and merchandise, including, all present and future goods held for sale or lease or to be furnished under a contract of service, all raw materials, work in process and finished goods and products, all packing materials, supplies and containers relating to or used in connection with any of the foregoing, and all bills of lading, warehouse receipts and documents of title relating to any of the foregoing (collectively, the “Inventory”);

(g) All present and future stocks, bonds, debentures, certificated and uncertificated securities, security entitlements, subscription rights, options, warrants, puts, calls, certificates, securities accounts, commodity contracts, commodity accounts, partnership interests, limited liability company interests, joint venture interests and investment and/or brokerage accounts, and all other investment property, including, the Certificates, the Pledged Securities, the Pledged Partnership Interests and the Pledged Limited Liability Company Interests, and all rights, preferences, privileges, dividends, distributions (in cash or in kind), redemption payments or liquidation payments with respect thereto;

(h) All present and future accessions, appurtenances, components, repairs, repair parts, spare parts, replacements, substitutions, additions, issue and/or improvements to or of or with respect to any of the foregoing;

(i) All other tangible and intangible personal property of the Grantor;

(j) All rights, remedies, powers and/or privileges of the Grantor with respect to any of the foregoing; and

(k) Any and all proceeds and products of the foregoing, including, all money, accounts, general intangibles, deposit accounts, documents, instruments, letter-of-credit rights, investment property, chattel paper, goods, insurance proceeds and any other tangible or intangible property received upon the sale or disposition of any of the foregoing;

provided, however, that notwithstanding any of the other provisions set forth in this definition, this Agreement shall not constitute a grant of a security interest (a) in any equity interest held by Grantor in any entity not formed and existing under the laws of the United States or any state thereof, or (b) in any property to the extent that such grant of a security interest is prohibited by any law of a governmental authority, requires a consent not obtained of any governmental authority pursuant to such law or is prohibited by, or constitutes a breach or default under or results in the termination of or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or, in the case of any investment property, Pledged Securities, Pledged Limited Liability Company Interests or Pledge Partnership Interests, any applicable shareholder or similar agreement, except to the extent that such law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable law; provided, further that such property shall not be excluded (and such security interest shall attach) immediately at such time the grant of a security interests thereon shall no longer be prohibited.

“Copyrights” means all:

(a) copyrights, whether or not published or registered under the Copyright Act of 1976, 17 U.S.C. Section 101 et seq., as the same shall be amended from time to time, and any predecessor or successor statute thereto (the “Copyright Act”), and applications for registration of copyrights, and all works of authorship and other intellectual property rights therein, including, copyrights for computer programs, source code and object code data bases and related materials and documentation, and including the registered copyrights and copyright applications

listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), and (i) all renewals, revisions, derivative works, enhancements, modifications, updates, new releases and other revisions thereof, (ii) all income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof, (iii) the right to sue for past, present and future infringements thereof and (iv) all of the Grantor's rights corresponding thereto throughout the world;

(b) rights under or interests in any copyright license agreements with any other party, whether the Grantor is a licensee or licensor under any such license agreement, including the copyright license agreements listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), and the right to use the foregoing in connection with the enforcement of the rights under the Loan Documents; and

(c) copyrightable materials now or hereafter owned by the Grantor, all tangible property embodying the copyrights or copyrightable materials described herein, and all tangible property covered by the licenses described in clause (b) hereof.

“Excluded Accounts” means any account the funds in which are used primarily for the payment of salary and wages, employee benefits, workers' compensation and similar expenses.

“Limited Liability Company Assets” means all assets, whether tangible or intangible and whether real, personal or mixed (including, all limited liability company capital and interests in other limited liability companies), at any time owned or represented by any Limited Liability Company Interests.

“Limited Liability Company Interests” means the entire limited liability company interest at any time owned by the Grantor in any Pledged Entity.

“Marks” means all (a) trademarks, trademark registrations, interests under trademark license agreements, trade names, trademark applications, service marks, business names, trade styles, designs, logos and other source or business identifiers which are used in the United States or any state, territory or possession thereof, or in any other place, nation or jurisdiction anywhere in the world, including the trademarks, trademark registrations, applications, service marks, business names, trade styles, design logos and other source or business identifiers listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), (b) licenses pertaining to any such mark, whether the Grantor is a licensor or licensee including, the licenses listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), (c) all income, royalties, damages and payments now and hereafter due and/or payable with respect to any such mark or any such license, including, damages and payments for past, present or future infringements thereof, (d) rights to sue for past, present and future infringements thereof, (f) rights corresponding thereto throughout the world, (e) all product specification documents and production and quality control manuals used in the manufacture of products sold under or in connection with such marks, (g) all documents that reveal the name and address of all sources of supply of, and all terms of purchase and delivery for, all materials and components used in the

production of products sold under or in connection with such marks, (h) all documents constituting or concerning the then current or proposed advertising and promotion by the Grantor, its subsidiaries or licensees of products sold under or in connection with such marks, including all documents that reveal the media used or to be used and the cost for all such advertising and (i) renewals and proceeds of any of the foregoing.

“Patents” means all (a) letters patent, design patents, utility patents, inventions and trade secrets, all patents and patent applications in the United States Patent and Trademark Office, and all interests under patent license agreements, including the inventions and improvements described and claimed therein, including those letters patent, design patents, utility patents, inventions, trade secrets, patents, patent applications and patent license agreements listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), (b) licenses pertaining to any patent whether the Grantor is a licensor or licensee, (c) income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, damages and payments for past, present or future infringements thereof, (d) rights to sue for past, present and future infringements thereof, (e) rights corresponding thereto throughout the world and (f) the reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing.

“Pledged Collateral” means the Certificates, the Pledged Securities, the Pledged Partnership Interests and the Pledged Limited Liability Company Interests.

“Pledged Entity” means each limited liability company formed and existing under the laws of the United States or any state thereof and set forth in Schedule A (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), together with any other limited liability company formed and existing under the laws of the United States or any state thereof in which the Grantor may have an interest at any time.

“Pledged Limited Liability Company Interests” means all interests in each Pledged Entity held by the Grantor, including those Limited Liability Company Interests identified in Schedule A (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), including (a) all the capital thereof and the Grantor’s interests in all profits, losses, Limited Liability Company Assets and other distributions in respect thereof; (b) all other payments due or to become due to the Grantor in respect of such Limited Liability Company Interests; (c) all of the Grantor’s claims, rights, powers, privileges, authority, options, security interests, liens and remedies in respect of such Limited Liability Company Interests; (d) all of the Grantor’s rights to exercise and enforce every right, power, remedy, authority, option and privilege relating to such Limited Liability Company Interests; and (e) all other property delivered in substitution for or in addition to any of the foregoing and all certificates and instruments representing or evidencing such other property received, receivable or otherwise distributed in respect of or in exchange for any or all thereof.

“Pledged Partnership Interests” means all interests in any partnership or joint venture formed and existing under the laws of the United States or any state thereof held by the Grantor, including those partnerships and/or joint ventures identified in Schedule A (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement) and all



dividends, cash, instruments and other properties from time to time received, to be received or otherwise distributed in respect of or in exchange for any or all of such interests.

“Pledged Securities” means all shares of capital stock of any issuer formed and existing under the laws of the United States or any state thereof in which the Grantor has an interest, including, those shares of stock identified in Schedule A (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement) and all dividends, cash, instruments and other properties from time to time received, to be received or otherwise distributed in respect of or in exchange for any or all of such shares.

2. Creation of Security Interest. The Grantor hereby assigns and pledges to the Lender, and grants to the Lender a security interest in and to, all right, title and interest of the Grantor in and to all presently existing and hereafter acquired Collateral.

3. Security for Obligations. This Agreement and the pledges made and security interests granted herein secure the prompt payment, in full in cash, and full performance of, all Obligations of the Grantor now or hereafter, whether for principal, interest, fees, expenses (including attorneys’ fees and expenses) or otherwise, including, all obligations of the Grantor now or hereafter existing under this Agreement, all interest that accrues (whether or not allowed) at the then applicable rate (including interest at the rate for overdue payments described in Section 2(b) of the Credit Agreement) specified in the Credit Agreement on all or any part of the Obligations after the filing of any petition or pleading against the Grantor for a proceeding under any bankruptcy or related law (collectively, the “Secured Obligations”).

4. Delivery of Pledged Collateral.

(a) Each Certificate shall, on (i) the Closing Date (with respect to Certificates existing on such date) and (ii) on the date of receipt or acquisition by the Grantor (with respect to Certificates received or acquired after the Closing Date), be delivered to and held by the Lender and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed undated endorsements, instruments of transfer or assignment in blank, all in form and substance satisfactory to the Lender.

(b) The Lender shall have the right, upon the occurrence and during the continuance of an Event of Default, without notice to the Grantor, to transfer to or to direct the Grantor or any nominee of the Grantor to register or cause to be registered in the name of the Lender or any of its nominees any or all of the Pledged Collateral. In addition, the Lender shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

5. Further Assurances.

(a) At any time and from time to time, at the written request of the Lender, the Grantor shall execute and deliver to the Lender, at the Grantor’s expense, all such financing statements and other instruments, certificates and documents in form and substance reasonably satisfactory to the Lender, and perform all such other acts as shall be necessary to fully perfect or protect or maintain, when filed, recorded, delivered or performed, the Lender’s security interests granted pursuant to this Agreement or to enable the Lender to exercise and enforce its rights and

remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, the Grantor shall: (i) at the reasonable request of the Lender, mark conspicuously each document included in the inventory and each other contract relating to the Accounts, and all chattel paper, instruments and other documents and each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to the Lender, indicating that such document, contract, chattel paper, instrument or Collateral is subject to the security interests granted hereby; (ii) if any Account or contract or other writing relating thereto under which any amount in excess of \$250,000 (or \$500,000 in the aggregate) payable to Grantor shall be evidenced by a promissory note or other instrument, deliver and pledge to the Lender such note and/or other instrument duly endorsed and accompanied by duly executed undated instruments of transfer or assignment, all in form and substance reasonably satisfactory to the Lender; (iii) at the request of the Lender, execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Lender may request, in order to perfect and preserve, with the required priority, the security interests granted, or purported to be granted hereby; (iv) not more frequently than once per calendar quarter, upon the Grantor's registration, or application therefor, of any copyright under the Copyright Act, execute and deliver to the Lender for recordation and filing in the United States Copyright Office a copy of this Agreement or another appropriate copyright mortgage document in form and substance satisfactory to the Lender; (v) not more frequently than once per calendar quarter, upon the Grantor's registration, or application therefor, of any Patent or Mark that would constitute Collateral as defined in this Agreement, execute and deliver to the Lender for recordation and filing in the United States Patent and Trademark Office a copy of this Agreement or another appropriate patent or trademark mortgage document, as applicable, in form and substance satisfactory to the Lender; and (vi) subject to Section 8(h) of the Credit Agreement, cause Control Agreements to be executed by all parties necessary to establish "control" under the UCC with respect to such deposit accounts (other than Excluded Accounts), investment property, letter-of-credit rights and electronic chattel paper as the Lender shall reasonably specify.

(b) At any time and from time to time, the Lender shall be entitled to file and/or record any or all such financing statements, instruments and documents held by it, and any or all such further financing statements, documents and instruments, relative to the Collateral or any part thereof in each instance, and to take all such other actions as the Lender may reasonably deem appropriate to perfect and to maintain perfected the security interests granted herein.

(c) The Grantor hereby authorizes the Lender to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of the Grantor where permitted by law. A carbon, photographic or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(d) The Grantor shall furnish to the Lender from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Lender may reasonably request. Upon the Grantor's obtaining any rights or interests in any Deposit Accounts (other than Excluded Accounts), the Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule E to reflect such additional Deposit Accounts. Not more frequently than

once per calendar quarter, if the Grantor publishes or registers, or submits an application for registration of, any copyright under the Copyright Act, the Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule B to reflect the publication or registration of such copyright or application therefor. Not more frequently than once per calendar quarter, if the Grantor obtains any rights or interests in any Marks, the Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule B to reflect such additional Marks. Not more frequently than once per calendar quarter, if the Grantor obtains any rights or interests in any Patents, the Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule B to reflect such Patents. Upon the Grantor's receipt or acquisition of any additional shares of capital stock of any Person, any additional partnership interests in any partnership or joint venture or any additional Limited Liability Company Interests, the Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule A to reflect such additional Pledged Collateral.

(e) With respect to any Collateral consisting of certificates of title or the like as to which the Lender's security interest need be perfected by, or the priority thereof need be assured by, notation on the certificate of title pertaining to such Collateral, the Grantor will (i) promptly notify the Lender of the acquisition thereof and (ii) at the request of the Lender, cause such security interest to be noted on such certificate of title.

(f) With respect to any Collateral consisting of certificates of stock, securities, instruments, partnership or joint venture interests, interests in limited liability companies, or the like, the Grantor hereby consents and agrees that, upon the occurrence and during the continuance of an Event of Default, the issuers of, or obligors on, any such Collateral, or any registrar or transfer agent or trustee for any such Collateral, shall be entitled to accept the provisions of this Agreement as conclusive evidence of the right of the Lender to effect any transfer or exercise any right hereunder or with respect to any such Collateral, notwithstanding any other notice or direction to the contrary heretofore or hereafter given by the Grantor or any other Person to such issuers or such obligors or to any such registrar or transfer agent or trustee.

6. Voting Rights; Dividends; Etc. So long as no Event of Default shall have occurred and be continuing:

(a) Voting Rights. The Grantor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Securities, the Pledged Partnership Interests and the Pledged Limited Liability Company Interests for any purpose not inconsistent with the terms of this Agreement, the Credit Agreement or the other Loan Documents; provided, however, that the Grantor shall not exercise any such right if it would result in a Default.

(b) Dividend and Distribution Rights. Subject to the terms of the Credit Agreement, the Grantor shall be entitled to receive and to retain and use any and all dividends or distributions paid in respect of the Pledged Securities, the Pledged Partnership Interests or the Pledged Limited Liability Company Interests; provided, however, that any and all

(i) non-cash dividends or distributions in the form of capital stock, certificated limited liability company interests, instruments or other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Securities, Pledged Partnership Interests or Pledged Limited Liability Company Interests,

(ii) dividends and other distributions paid in cash in respect of any Pledged Securities, Pledged Partnership Interests or Pledged Limited Liability Company Interests in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(iii) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Securities, Pledged Partnership Interests or Pledged Limited Liability Company Interests,

shall forthwith be delivered to the Lender to be held as Collateral or applied to the Obligations in accordance with the Credit Agreement; and, if received by the Grantor, shall be received in trust for the benefit of the Lender, be segregated from the other property of the Grantor and forthwith be delivered to the Lender in the same form as so received (with any necessary endorsements).

7. Rights as to Pledged Collateral During Event of Default. When an Event of Default has occurred and is continuing:

(a) Voting, Dividend and Distribution Rights. At the option of the Lender, upon notice to the Grantor, all rights of the Grantor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6(a) above, and to receive the dividends and distributions which it would otherwise be authorized to receive and retain pursuant to Section 6(b) above, shall cease, and all such rights shall thereupon become vested in the Lender who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and to hold such dividends and distributions.

(b) Dividends and Distributions Held in Trust. All dividends and other distributions which are received by the Grantor contrary to the provisions of Section 7(a) of this Agreement shall be received in trust for the benefit of the Lender, shall be segregated from other funds of the Grantor and forthwith shall be paid over to the Lender as Collateral in the same form as so received (with any necessary endorsements).

8. Irrevocable Proxy. The Grantor hereby revokes all previous proxies with regard to the Pledged Securities, the Pledged Partnership Interests (if such interests are limited partnership interests) and the Pledged Limited Liability Company Interests and appoints the Lender as its proxyholder and attorney-in-fact to (a) attend and vote at any and all meetings of the shareholders of the corporation(s) which issued the Pledged Securities (whether or not transferred into the name of the Lender), and any adjournments thereof, held on or after the date of the giving of this proxy and to execute any and all written consents, waivers and ratifications of shareholders of such corporation(s) executed on or after the date of the giving of this proxy with the same effect as if the Grantor had personally attended the meetings or had personally voted its shares or had personally signed the written consents, waivers or ratification, and (b) attend and vote at any and all meetings of the members of the Pledged Entities (whether or

not such Pledged Limited Liability Company Interests or Pledged Partnership Interests are transferred into the name of the Lender), and any adjournments thereof, held on or after the date of the giving of this proxy and to execute any and all written consents, waivers and ratifications of the Pledged Entities executed on or after the date of the giving of this proxy with the same effect as if the Grantor had personally attended the meetings or had personally voted its Limited Liability Company Interests or Pledged Partnership Interests or had personally signed the consents, waivers or ratifications; provided, however, that the Lender as proxyholder and attorney-in-fact shall have such rights only upon the occurrence and during the continuance of an Event of Default. The Grantor hereby authorizes the Lender to substitute another Person (which Person shall be a successor to the rights of the Lender hereunder or a nominee appointed by the Lender to serve as proxyholder) as the proxyholder and, upon the occurrence or during the continuance of any Event of Default, hereby authorizes and directs the proxyholder to file this proxy and the substitution instrument with the secretary of the appropriate corporation, limited partnership or limited liability company. This proxy is coupled with an interest and is irrevocable until such time as the Commitment has expired and all Obligations have been indefeasibly paid in full.

9. Copyrights.

(a) Royalties. The Grantor hereby agrees that the use by the Lender of the Copyrights as authorized hereunder in connection with the Lender's exercise of its rights and remedies hereunder shall be without any liability for royalties or other related charges from the Lender to the Grantor.

(b) Restrictions on Future Agreements. The Grantor will not, without the Lender's prior written consent, (i) abandon any Copyright that is or shall be necessary in the operation of the Grantor's business in which the Grantor now owns or hereafter acquires any rights or interests, (ii) enter into any license agreements that would materially impair the Grantor's business or (iii) fail to take any action, with respect to a material Copyright, or permit any others (including licensees) to fail to take any action, which would customarily be taken by a Person in the same business and in similar circumstances as the Grantor.

(c) Duties of Grantor. The Grantor agrees to, as to those Copyrights that are or shall be necessary in the operation of the Grantor's business: (i) prosecute diligently any copyright application Grantor has made for such Copyrights, (ii) make application for registration of uncopyrighted but copyrightable material that is necessary in the operation of Grantor's business and owned by the Grantor, (iii) place notices of copyright on all material copyrightable property produced or owned by the Grantor embodying such Copyrights and cause its licensees do the same, (iv) file and prosecute opposition and cancellation proceedings, and (v) take all action necessary to preserve and maintain all of the Grantor's rights in such Copyrights, including making timely filings for renewals and extensions of registered Copyrights and diligently monitoring unauthorized use thereof. Any expenses incurred in connection with the foregoing shall be borne by the Grantor. The Grantor shall notify the Lender of any suits it commences to enforce any Copyright and shall provide the Lender with copies of any documents requested by the Lender relating to such suits. The Lender shall not have any duty with respect to the Copyrights other than to act lawfully and without gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Lender shall not be under any obligation to

take any steps necessary to preserve rights in the Copyrights against any other party, but the Lender may do so at its option upon the occurrence and during the continuance of an Event of Default, and all expenses incurred in connection therewith shall be for the account of the Grantor and shall be added to the Secured Obligations.

10. Patents and Marks.

(a) Royalties. The Grantor hereby agrees that any rights granted hereunder to the Lender with respect to Patents and Marks shall be applicable to all territories in which the Grantor has the right to use such Patents and Marks, from time to time, and without any liability for royalties or other related charges from the Lender to the Grantor.

(b) Restrictions on Future Agreements. The Grantor will not, without the Lender's prior written consent, (i) abandon any Patent or Mark that is or shall be necessary in the operation of Grantor's business in which the Grantor now owns or hereafter acquires any rights or interests, (ii) enter into any license agreements that would materially impair the Grantor's business or (iii) fail to take any action, or permit any others (including licensees) to fail to take any action, with respect to a material Patent or Mark, which would customarily be taken by a Person in the same business and in similar circumstances as the Grantor.

(c) Duties of Grantor. The Grantor agrees to, as to those Patents and Marks that are or shall be necessary in the operation of the Grantor's business, (i) prosecute diligently any patent application or trademark application Grantor has made for such Patents or Marks, (ii) make application on unpatented but patentable inventions and on unregistered Marks, as the case may be, that are owned by the Grantor and necessary in the operation of Grantor's business, (iii) file and prosecute opposition and cancellation proceedings and (iv) take all action necessary to preserve and maintain all rights in such Patents and Marks, including, making timely filings for renewals and extensions of any Patents and Marks and diligently monitoring unauthorized use thereof. Any expenses incurred in connection with the foregoing shall be borne by the Grantor. The Grantor shall notify the Lender of any suit it commences to enforce any Patent or Mark and shall provide the Lender with copies of any documents requested by the Lender relating to such suit. The Lender shall not have any duty with respect to the Patents and Marks other than to act lawfully and without gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Lender shall not be under any obligation to take any steps necessary to preserve rights in the Patents and Marks against any other party, but the Lender may do so at its option upon the occurrence and during the continuance of an Event of Default, and all expenses incurred in connection therewith shall be for the account of the Grantor and shall be added to the Secured Obligations.

11. Grantor's Representations and Warranties. The Grantor represents and warrants as follows:

(a) (i) The locations listed on Schedule C constitute all locations in the United States at which Inventory and/or Equipment in excess of \$50,000 are located; (ii) the chief executive office of the Grantor, where the Grantor keeps its records concerning the Collateral and the chattel paper evidencing the Collateral, is located at the address set forth for the Grantor on Schedule D; (iii) all records concerning any Accounts and all originals of all contracts and other

writings which evidence any Accounts are located at the addresses listed on Schedule D;

(iv) except as set forth on Schedule C, the Grantor has exclusive possession and control of the Equipment and the Inventory; (v) the Grantor's legal name, its existence as a corporation, and its place of formation, are as set forth in the preamble to this Agreement; and (vi) the Grantor's state organizational identification number, if any, is set forth on Schedule D.

(b) The Grantor is the legal and beneficial owner of the Collateral free and clear of all Liens except for Liens permitted by Section 9(b) of the Credit Agreement. The Grantor has the power, authority and legal right to grant the security interests in the Collateral purported to be granted hereby, and to execute, deliver and perform this Agreement. The pledge of the Collateral pursuant to this Agreement creates a valid security interest in the Collateral. Upon the filing of appropriate financing statements in the filing offices set forth on Schedule F, the recordation of appropriate documentation with the United States Copyright Office and the United States Patent and Trademark Office, as applicable, the execution of Control Agreements with respect to those Deposit Accounts (other than Excluded Accounts) not held with the Lender, and the delivery to the Lender of any Certificates, the Lender will have a first-priority perfected security interest (subject to Section 8(h) of the Credit Agreement) in the Collateral to the extent a security interest in such Collateral can be perfected by such filings, recordations, the execution of Control Agreements and the delivery of such Certificates.

(c) The Pledged Securities and the Pledged Limited Liability Company Interests have been duly authorized and validly issued and are fully paid and nonassessable. All of the Pledged Securities are in certificated form (as contemplated by Article 8 of the Uniform Commercial Code). All of the Pledged Limited Liability Company Interests and Pledged Partnership Interests are in uncertificated form (as contemplated by Article 8 of the Uniform Commercial Code).

(d) No consent of any Person, including, any partner in a partnership with respect to which the Grantor has pledged its interest as a Pledged Partnership Interest or any member in a Pledged Entity, other than those consents which have been obtained, is required for the pledge by the Grantor of the Collateral.

(e) The Pledged Securities described on Schedule A constitute (i) all of the shares of capital stock of any Person owned by the Grantor and (ii) that percentage of the issued and outstanding shares of the respective issuers thereof indicated on Schedule A, and there is no other class of shares issued and outstanding of the respective issuers thereof except as set forth on Schedule A. The Pledged Partnership Interests described on Schedule A constitute (i) all of the partnerships or joint ventures in which the Grantor has an interest and (ii) the Grantor's respective percentage interests in each such partnership or joint venture are as set forth on such Schedule A, and there is no other class of interests therein issued and outstanding except as set forth on Schedule A. The Pledged Limited Liability Company Interests described on Schedule A constitute (i) all of the Limited Liability Company Interests of the Grantor and (ii) the Grantor's respective percentage interests in each such Pledged Entity are as set forth on Schedule A, and there is no other class of interests therein issued and outstanding except as set forth on Schedule A.

(f) No authorization, approval or other action by, and no notice to or filing with, any governmental authority (other than such authorizations, approvals and other actions as have

already been taken and are in full force and effect, and those filings and recordations described in Section 11(b)) is required (i) for the pledge of the Collateral or the grant of the security interest in the Collateral by the Grantor hereby or for the execution, delivery or performance of this Agreement by the Grantor, or (ii) for the exercise by the Lender of the voting rights in the Pledged Securities, the Pledged Partnership Interests and the Pledged Limited Liability Company Interests or of any other rights or remedies in respect of the Collateral hereunder except as may be required in connection with any disposition of Collateral consisting of securities by laws affecting the offering and sale of securities generally.

(g) The Grantor does not own, is not a licensee of, nor has the Grantor applied for any registered Copyrights, Marks or Patents, other than those set forth on Schedule B. Except as set forth on Schedule B, none of such registered Copyrights, Marks or Patents has been registered with any governmental authority, nor has an application for such registration been made.

(h) Schedule E sets forth (i) all of the Grantor's deposit accounts, securities accounts and other investment property (other than that referred to on Schedule A) and (ii) all letters of credit issued for the benefit of the Grantor. The Grantor has no chattel paper or electronic chattel paper.

(i) The Grantor does not own or lease any vehicle having a value in excess of \$50,000.

12. Grantor's Covenants. In addition to the other covenants and agreements set forth herein and in the other Loan Documents, the Grantor covenants and agrees as follows:

(a) The Grantor will pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its taxes, charges, Liens and assessments against the Collateral, except for taxes, charges and assessments being contested in good faith and as to which adequate reserves have been taken.

(b) The Collateral will not be used in violation of any material requirement of law applicable to the Grantor, nor used in any way that will void or impair any insurance required to be carried in connection therewith.

(c) The Grantor will take all reasonable steps to preserve and protect the Collateral (subject to ordinary wear and tear and except as permitted under the Credit Agreement).

(d) The Grantor will promptly notify the Lender in writing in the event of any material damage to the Collateral from any source whatsoever.

(e) The Grantor will not (i) establish any location of Inventory or Equipment in the United States with a value in excess of \$50,000 not listed on Schedule C, (ii) move its principal place of business, chief executive office or any other office listed on Schedule D, (iii) acquire or open, as applicable, any deposit account or securities account, (iv) create any chattel paper without placing a legend on the chattel paper acceptable to the Lender indicating the Lender's security interest therein, (v) change its legal name or place of formation from that set forth in the preamble to this Agreement, or change its state organizational identification number from that set forth on Schedule D, (vi) fail to preserve its corporate existence, (vii) permit any issuer of



Pledged Securities to issue any securities in uncertificated form or seek to convert all or any part of any Pledged Securities into uncertificated form, (viii) permit any issuer of Pledged Limited Liability Company Interests to issue any Limited Liability Company Interests in certificated form or seek to convert all or any part of any Limited Liability Company Interests into certificated form, provided that in the event the Grantor acquires any Limited Liability Company Interests of any U.S. entity, the Grantor shall, at the request of the Lender, have the issuer of such Limited Liability Company Interests issue such Limited Liability Company Interests in certificated form, (ix) permit any issuer of Pledged Securities or any Pledged Entity to issue any additional capital stock or membership interests or any other rights or options with respect thereto, as applicable, other than to the Grantor, or (x) acquire any letter of credit issued for the benefit of the Grantor, except, (A) in each case set forth in (i) – (ix) above, upon not less than 15 days' prior written notice to the Lender and the Grantor's prior compliance with all applicable requirements of Section 5 hereof necessary to perfect the Lender's security interests hereunder, and (B) in the case set forth in (x) above, upon prompt written notice to the Lender following the Grantor's receipt of such letter of credit, and the Grantor's compliance with all applicable requirements of Section 5 hereof necessary to perfect the Lender's security interests therein.

(f) Not more frequently than once per calendar quarter, the Grantor shall promptly notify the Lender in writing in the event that the Grantor becomes a licensee of any Copyright, Mark or Patent, other than those set forth on Schedule B, and shall execute any and all documents, instruments or agreements and perform any and all actions reasonably requested by the Lender to give a grant of security interest in such Collateral including procuring the consent of the licensor thereto.

(g) Subject to Section 8(h) of the Credit Agreement, the Grantor shall not permit any Equipment or Inventory with a value in excess of \$250,000 to be in the possession of a third party unless written notice of the Lender's security interest therein has been given to such third party, and such third party has acknowledged in writing that it is holding such Collateral for the benefit of the Lender, such notice and acknowledgment to be in form acceptable to the Lender.

(h) The Grantor shall not withdraw as a member of any Pledged Entity or a partner in any partnership with respect to which the Grantor has pledged any interest, or file or pursue or take any action which may, directly or indirectly, cause a dissolution or liquidation of or with respect to any Pledged Entity or any such partnership or seek a partition of any property of any Pledged Entity or any such partnership, except in each case to the extent permitted under Section 9(c) of the Credit Agreement.

13. Lender's Rights Regarding Collateral. At any time and from time to time upon the occurrence and during the continuance of an Event of Default, the Lender may, to the extent necessary or desirable to protect the security hereunder, but the Lender shall not be obligated to, perform any obligation of the Grantor under this Agreement at the expense of the Grantor. At any time and from time to time after an Event of Default has occurred and is continuing, at the expense of the Grantor, the Lender may, with prior notice to the Grantor, but the Lender shall not be obligated to: (a) notify obligors on the Collateral that the Collateral has been assigned as security to the Lender; (b) request from obligors on the Collateral, in the name of the Grantor or in the name of the Lender, information concerning the Collateral and the amounts owing thereon; and (c) direct obligors under the Collateral to direct their performance to the Lender. The

Grantor shall keep proper books and records and accounts in which full, true and correct entries in conformity with GAAP and all requirements of law shall be made of all material dealings and transactions pertaining to the Collateral. The Lender shall at all reasonable times have full access to and the right to audit any and all of the Grantor's books and records pertaining to the Collateral, and to confirm and verify the value of the Collateral. The Lender shall not be under any duty or obligation whatsoever to take any action to preserve any rights of or against any prior or other parties in connection with the Collateral, to exercise any voting rights or managerial rights with respect to any Collateral or to make or give any presentments for payment, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonor or notices of any other nature whatsoever in connection with the Collateral or the Secured Obligations. Except as set forth in Section 15, the Lender shall not be under any duty or obligation whatsoever to take any action to protect or preserve the Collateral or any rights of the Grantor therein, or to make collections or enforce payment thereon, or to participate in any foreclosure or other proceeding in connection therewith. Nothing contained herein shall constitute an assumption by the Lender of any obligations of the Grantor under any contracts assigned hereunder. The Grantor shall continue to be liable for performance of its obligations under such contracts.

Nothing contained herein shall be construed to make the Lender liable as a stockholder of any corporation, member of any Pledged Entity or partner in any partnership with respect to which the Grantor has pledged its interests in Pledged Securities, Pledged Limited Liability Company Interests or Pledged Partnership Interests, and the Lender shall not by virtue of this Agreement or otherwise (except as referred to in the following sentence) have any of the duties, obligations or liabilities of a stockholder of any such corporation, member of any such Pledged Entity or partner in such partnership. The parties hereto expressly agree that, unless the Lender shall become the absolute owner of any Pledged Securities or Pledged Limited Liability Company Interests or Pledged Partnership Interests pursuant hereto, this Agreement shall not be construed as creating a partnership or joint venture among the Lender, any such corporation, any such Pledged Entity or any such partnership and/or the Grantor. Except as provided in the immediately preceding sentence, the Lender, by accepting this Agreement, does not intend to become a stockholder of any corporation, member or any Pledged Entity or partner in any partnership with respect to which the Grantor has pledged its interests in any Pledged Securities, Pledged Limited Liability Company Interests or Pledged Partnership Interests, or otherwise be deemed to be a co-venturer with respect to the Grantor or any such corporation, Pledged Entity or partnership, either before or after an Event of Default shall have occurred.

14. Collections on the Collateral. Except as provided to the contrary in the Credit Agreement, the Grantor shall have the right to use and to continue to make collections on and receive dividends and other proceeds of all of the Collateral in the ordinary course of business so long as no Event of Default shall have occurred and be continuing. Upon the occurrence and during the continuance of an Event of Default, at the option of the Lender, the Grantor's right to make collections on and receive dividends and other proceeds of the Collateral and to use or dispose of such collections and proceeds shall terminate, and any and all dividends, proceeds and collections, including all partial or total prepayments, then held or thereafter received on or on account of the Collateral will be held or received by the Grantor in trust for the Lender and immediately delivered in kind to the Lender (duly endorsed to the Lender, if required), to be applied to the Secured Obligations or held as Collateral, as the Lender shall elect. Upon the

occurrence and during the continuance of an Event of Default, the Lender shall have the right at all times to receive, receipt for, endorse, assign, deposit and deliver, in the name of the Lender or in the name of the Grantor, any and all checks, notes, drafts and other instruments for the payment of money constituting proceeds of or otherwise relating to the Collateral; and the Grantor hereby authorizes the Lender to affix, by facsimile signature or otherwise, the general or special endorsement of the Grantor, in such manner as the Lender shall deem advisable, to any such instrument in the event the same has been delivered to or obtained by the Lender without appropriate endorsement, and the Lender and any collecting bank are hereby authorized to consider such endorsement to be a sufficient, valid and effective endorsement by the Grantor, to the same extent as though it were manually executed by the duly authorized representatives of the Grantor, regardless of by whom or under what circumstances or by what authority such endorsement actually is affixed, without duty of inquiry or responsibility as to such matters, and the Grantor hereby expressly waives demand, presentment, protest and notice of protest or dishonor and all other notices of every kind and nature with respect to any such instrument.

15. Possession of Collateral by Lender. All the Collateral now, heretofore or hereafter delivered to the Lender as such shall be held by the Lender in its possession, custody and control. None of the Collateral delivered to the Lender as such constituting cash or cash equivalents shall be required to be held in an interest-bearing account. Upon the occurrence and during the continuance of an Event of Default, the Lender may use, operate and consume such Collateral, whether for the purpose of preserving and/or protecting the Collateral, or for the purpose of performing any of the Grantor's obligations with respect thereto, and any or all of the Collateral delivered to the Lender constituting cash or cash equivalents shall be applied by the Lender to payment of the Secured Obligations or held as Collateral, as the Lender shall elect. The Lender may at any time deliver or redeliver the Collateral or any part thereof to the Grantor, and the receipt of any of the same by the Grantor shall be complete and full acquittance for the Collateral so delivered, and the Lender thereafter shall be discharged from any liability or responsibility arising after such delivery to the Grantor. So long as the Lender exercises reasonable care with respect to any Collateral in its possession, custody or control, the Lender shall not have any liability for any loss of or damage to any Collateral, and in no event shall the Lender have liability for any diminution in value of the Collateral occasioned by economic or market conditions or events. The Lender shall be deemed to have exercised reasonable care within the meaning of the preceding sentence if the Collateral in the possession, custody or control of the Lender is accorded treatment substantially equal to that which the Lender accords similar property for its own account, it being understood that the Lender shall not have any responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Collateral, whether or not the Lender has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any Person with respect to any Collateral.

16. Remedies.

(a) Rights Upon Event of Default. Upon the occurrence and during the continuance of an Event of Default, the Grantor shall be in default hereunder and the Lender shall have, in any jurisdiction where enforcement is sought, in addition to all other rights and remedies that the Lender may have under this Agreement and under applicable laws or in equity, all rights and remedies of a Lender under the Uniform Commercial Code as enacted in any such jurisdiction in

effect at that time, and in addition the following rights and remedies, all of which may be exercised with or without notice to the Grantor except such notice as may be specifically required by applicable law: (i) to foreclose the Liens created hereunder or under any other Loan Document by any available judicial procedure or without judicial process; (ii) to enter any premises where any Collateral may be located for the purpose of securing, protecting, inventorying, appraising, inspecting, repairing, preserving, storing, preparing, processing, taking possession of or removing the same; (iii) to sell, assign, lease or otherwise dispose of any Collateral or any part thereof, either at public or private sale or at any broker's board, in lot or in bulk, for cash, on credit or otherwise, with or without representations or warranties and upon such terms as shall be commercially reasonable; (iv) to notify obligors on the Collateral that the Collateral has been assigned to the Lender and that all payments thereon, or performance with respect thereto, are to be made directly and exclusively to the Lender; (v) to collect by legal proceedings or otherwise all dividends, distributions, interest, principal or other sums now or hereafter payable upon or on account of the Collateral; (vi) to enter into any extension, reorganization, disposition, merger or consolidation agreement, or any other agreement relating to or affecting the Collateral, and in connection therewith the Lender may deposit or surrender control of the Collateral and/or accept other property in exchange for the Collateral as the Lender deems appropriate; (vii) to settle, compromise or release, on terms acceptable to the Lender, in whole or in part, any amounts owing on the Collateral and/or any disputes with respect thereto; (viii) to extend the time of payment, make allowances and adjustments and issue credits in connection with the Collateral in the name of the Lender or in the name of the Grantor; (ix) to enforce payment and prosecute any action or proceeding with respect to any or all of the Collateral and take or bring, in the name of the Lender or in the name of the Grantor, any and all steps, actions, suits or proceedings deemed necessary or desirable by the Lender to effect collection of or to realize upon the Collateral, including, any judicial or nonjudicial foreclosure thereof or thereon, and the Grantor specifically consents to any nonjudicial foreclosure of any or all of the Collateral or any other action taken by the Lender which may release any obligor from personal liability on any of the Collateral, and any money or other property received by the Lender in exchange for or on account of the Collateral, whether representing collections or proceeds of Collateral, and whether resulting from voluntary payments or foreclosure proceedings or other legal action taken by Lender or the Grantor may be applied by the Lender, without notice to the Grantor, to the Secured Obligations in such order and manner as the Lender shall determine; (x) to insure, protect and preserve the Collateral; (xi) to exercise all rights, remedies, powers or privileges provided under any of the other Loan Documents; and (xii) to remove, from any premises where the same may be located, the Collateral and any and all documents, instruments, files and records, and any receptacles and cabinets containing the same, relating to the Collateral, and the Lender may, at the cost and expense of the Grantor, use such of its supplies, equipment, facilities and space at its places of business as may be necessary or appropriate to properly administer, process, store, control, prepare for sale or disposition and/or sell or dispose of the Collateral or to properly administer and control the handling of collections and realizations thereon, and the Lender shall be deemed to have a rent-free tenancy of any premises of the Grantor for such purposes and for such periods of time as reasonably required by the Lender. The Grantor will, at the Lender's request, assemble the Collateral and make it available to the Lender at places which the Lender may designate, whether at the premises of the Grantor or elsewhere, and will make available to the Lender, free of cost, all premises, equipment and facilities of the Grantor for the purpose of the Lender's taking possession of the

Collateral or storing the same or removing or putting the Collateral in salable form or selling or disposing of the same. The Lender has no obligation to clean up or otherwise prepare the Collateral for sale.

(b) Possession by Lender. Upon the occurrence and during the continuance of an Event of Default, the Lender also shall have the right, without notice or demand, either in person, by Lender or by a receiver to be appointed by a court in accordance with the provisions of applicable law (and the Grantor hereby expressly consents, to the fullest extent permitted by applicable law, upon the occurrence and during the continuance of an Event of Default to the appointment of such a receiver), and, to the extent permitted by applicable law, without regard to the adequacy of any security for the Secured Obligations, to operate the business of the Grantor, by, inter alia, taking possession of the Collateral or any part thereof and to collect and receive the rents, issues, profits, income and proceeds thereof, pending the exercise of any and all other rights and remedies available to the Lender under this Agreement and/or at law or in equity. The operation of the Grantor's business and the taking possession of the Collateral by the Lender shall not cure or waive any Event of Default or notice thereof or invalidate any act done pursuant to such notice. The rights, remedies and powers of any receiver appointed by a court shall be as ordered by said court.

(c) Sale of Collateral. Any public or private sale or other disposition of the Collateral may be held at any office of Lender, or at the Grantor's place of business, or at any other place permitted by applicable law, and without the necessity of the Collateral's being within the view of prospective purchasers. The Lender may direct the order and manner of sale of the Collateral, or portions thereof, as it in its sole and absolute discretion may determine provided such sale is commercially reasonable, and the Grantor expressly waives, to the extent permitted by applicable law, any right to direct the order and manner of sale of any Collateral. The Lender or any Person acting on the Lender's behalf may bid and purchase at any such sale or other disposition. In addition to the other rights of the Lender hereunder, the Grantor hereby grants to the Lender a license or other right to use, without charge, but only after the occurrence and during the continuance of an Event of Default, the Grantor's labels, copyrights, patents, rights of use of any name, trade names, trademarks and advertising matter, or any property of a similar nature, including, the Copyrights, the Patents and the Marks, in advertising for sale and selling any Collateral. The Lender may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

(d) Notice of Sale. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Lender will give the Grantor reasonable notice of the time and place of any public sale thereof or of the time on or after which any private sale thereof is to be made. The requirement of reasonable notice conclusively shall be met if such notice is mailed, certified mail, postage prepaid, to the Grantor at its address set forth in the Credit Agreement, or delivered or otherwise sent to the Grantor, at least ten days before the date of the sale. The Grantor expressly waives, to the fullest extent permitted by applicable law, any right to receive notice of any public or private sale of any Collateral or other security for the Secured Obligations except as expressly provided for in this paragraph. The Lender shall not be obligated to make any sale of the Collateral if it shall determine not to do so regardless of the fact that notice of sale of the Collateral may have been given. The Lender may,

without notice or publication, except as required by applicable law, adjourn the sale from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice (except as required by applicable law), be made at the time and place to which the same was so adjourned.

(e) Private Sales. With respect to any Collateral consisting of securities, partnership interests, membership interests, joint venture interests or the like, and whether or not any of such Collateral has been effectively registered under the Securities Act of 1933, as amended, or other applicable laws, the Lender may, in its sole and absolute discretion, sell all or any part of such Collateral at private sale in such manner and under such circumstances as the Lender may deem necessary or advisable in order that the sale may be lawfully conducted in a commercially reasonable manner. Without limiting the foregoing, the Lender may (i) approach and negotiate with a limited number of potential purchasers, and (ii) restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing such Collateral for their own account for investment and not with a view to the distribution or resale thereof. In the event that any such Collateral is sold at private sale, the Grantor agrees to the extent permitted by applicable law that if such Collateral is sold for a price which is commercially reasonable, then (A) the Grantor shall not be entitled to a credit against the Secured Obligations in an amount in excess of the purchase price, and (B) the Lender shall not incur any liability or responsibility to the Grantor in connection therewith, notwithstanding the possibility that a substantially higher price might have been realized at a public sale. The Grantor recognizes that a ready market may not exist for such Collateral if it is not regularly traded on a recognized securities exchange, and that a sale by the Lender of any such Collateral for an amount less than a pro rata share of the fair market value of the issuer's assets minus liabilities may be commercially reasonable in view of the difficulties that may be encountered in attempting to sell a large amount of such Collateral or Collateral that is privately traded. Determination by the Lender to exercise its right to sell any or all of the Pledged Securities without registering the Pledged Securities under the Securities Act of 1933 shall not, by the sole fact of such sale, be deemed to be commercially unreasonable.

(f) Title of Purchasers. Upon consummation of any sale of Collateral hereunder, the Lender shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the Collateral so sold absolutely free from any claim or right upon the part of the Grantor or any other Person claiming through the Grantor, and the Grantor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. If the sale of all or any part of the Collateral is made on credit or for future delivery, the Lender shall not be required to apply any portion of the sale price to the Secured Obligations until such amount actually is received by the Lender, and any Collateral so sold may be retained by the Lender until the sale price is paid in full by the purchaser or purchasers thereof. The Lender shall not incur any liability in case any such purchaser or purchasers shall fail to pay for the Collateral so sold, and, in case of any such failure, the Collateral may be sold again.

(g) Disposition of Proceeds of Sale. The proceeds resulting from the collection, liquidation, sale or other disposition of the Collateral shall be applied, first, to the reasonable costs and expenses (including, reasonable attorneys' fees) of retaking, holding, storing, processing and preparing for sale, selling, collecting and liquidating the Collateral, and the like;

second, to the satisfaction of all Secured Obligations; and third, any surplus remaining after the satisfaction of all Secured Obligations, provided the Commitment has expired, to be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus.

(h) Certain Waivers. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands against the Lender arising out of the repossession, retention or sale of the Collateral, or any part or parts thereof, except to the extent any such claims, damages and awards arise out of the gross negligence or willful misconduct of the Lender.

(i) Remedies Cumulative. The rights and remedies provided under this Agreement are cumulative and may be exercised singly or concurrently, and are not exclusive of any other rights and remedies provided by law or equity.

(j) Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to this Section 16 are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Grantor shall remain liable for any deficiency.

17. Lender Appointed Attorney-in-Fact. The Grantor hereby irrevocably appoints the Lender as the Grantor's attorney-in-fact, effective upon and during continuance of an Event of Default, with full authority in the place and stead of the Grantor, and in the name of the Grantor, or otherwise, from time to time, in the Lender's sole and absolute discretion to do any of the following acts or things: (a) to do all acts and things and to execute all documents necessary or advisable to perfect and continue perfected the security interests created by this Agreement and to preserve, maintain and protect the Collateral; (b) to do any and every act which the Grantor is obligated to do under this Agreement; (c) to prepare, sign, file and record, in the Grantor's name, any financing statement covering the Collateral; (d) to endorse and transfer the Collateral upon foreclosure by the Lender; (e) to grant or issue an exclusive or nonexclusive license under the Copyrights, the Patents or the Marks to anyone upon foreclosure by the Lender; (f) to assign, pledge, convey or otherwise transfer title in or dispose of the Copyrights, the Patents or the Marks to anyone upon foreclosure by the Lender; and (g) to file any claims or take any action or institute any proceedings which the Lender may reasonably deem necessary or desirable for the protection or enforcement of any of the rights of the Lender with respect to any of the Copyrights, the Patents and the Marks; provided, however, that the Lender shall be under no obligation whatsoever to take any of the foregoing actions, and the Lender shall not have any liability or responsibility for any act or omission (other than the Lender's own gross negligence or willful misconduct) taken with respect thereto other than as set forth in Section 15.

18. Costs and Expenses. The Grantor agrees to pay to the Lender all reasonable costs and out-of-pocket expenses (including, reasonable attorneys' fees and disbursements) incurred by the Lender in the enforcement or attempted enforcement of this Agreement, whether or not an action is filed in connection therewith, and in connection with any waiver or amendment of any term or provision hereof. All reasonable advances, charges, costs and expenses, including, reasonable attorneys' fees and disbursements, incurred or paid by the Lender in exercising any right, privilege, power or remedy conferred by this Agreement (including, the right to perform any obligation of the Grantor), or in the enforcement or attempted enforcement thereof, shall be

secured hereby and shall become a part of the Secured Obligations and shall be due and payable to the Lender by the Grantor on demand therefor.

19. Transfers and Other Liens. The Grantor agrees that, except as specifically permitted under the Credit Agreement, it will not (a) sell, assign, exchange, lease, license, transfer or otherwise dispose of, or contract to sell, assign, exchange, transfer or otherwise dispose of, or grant any option with respect to, any of the Collateral, or (b) create or permit to exist any Lien upon or with respect to any of the Collateral, and the Grantor acknowledges that the Lender does not authorize any of the foregoing. To the extent any Collateral permitted to be sold or otherwise disposed of is sold or disposed of, such sale or disposition shall be for fair market value.

20. Understandings With Respect to Waivers and Consents. The Grantor represents, warrants and agrees that each of the waivers and consents set forth herein are made with full knowledge of their significance and consequences, with the understanding that events giving rise to any defense or right waived may diminish, destroy or otherwise adversely affect rights which the Grantor otherwise may have against the Lender or others, or against any Collateral. If any of the waivers or consents herein are determined to be unenforceable under applicable law, such waivers and consents shall be effective to the maximum extent permitted by law.

21. Indemnity. The Grantor hereby indemnifies the Lender from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, enforcement of this Agreement), except to the extent such claims, losses or liabilities result from the Lender's gross negligence or willful misconduct as determined by the final non-appealable judgment of a court of competent jurisdiction.

22. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Grantor herefrom (other than supplements to the Schedules hereto in accordance with the terms of this Agreement) shall in any event be effective unless the same shall be in writing and made in accordance with Section 11 of the Credit Agreement, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

23. Notices. All notices and other communications provided for hereunder shall be given in the manner, and to the respective addresses, set forth in Section 13 of the Credit Agreement.

24. Release. (a) At such time as the Loans and the other Obligations shall have been paid in full, the Commitments have been terminated, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Lender and each Grantor hereunder shall terminate all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following such termination, the Lender shall deliver to such Grantor any collateral held by the Lender hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Credit Agreement as certified in writing by the Grantor,



then the Lender, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral.

25. Continuing Security Interest; Successors and Assigns. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until indefeasible payment in full in cash of the Obligations and the Secured Obligations and the termination or expiration of the Commitment, (b) be binding upon the Grantor, its successors and assigns and (c) inure, together with the rights and remedies of the Lender hereunder, to the benefit of the Lender and its successors and assigns. Nothing set forth herein or in any other Loan Document is intended or shall be construed to give to any other party any right, remedy or claim under, to or in respect of this Agreement or any other Loan Document or any Collateral. The Grantor's successors and assigns shall include, without limitation, a receiver, trustee or debtor-in-possession thereof or therefor, provided that, none of the rights or obligations of the Grantor hereunder may be assigned or otherwise transferred.

26. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York (without reference to its choice of law rules) other than Sections 5-1401 and 5-1402 of the New York General Obligations Law.

27. Consent to Jurisdiction; Waiver of Jury Trial. Each party hereto hereby irrevocably and unconditionally

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient forum and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to any party at its address set forth in Section 23;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO

ENFORCE THE FOREGOING WAIVER AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 27.

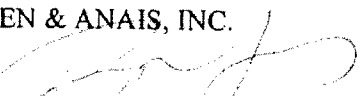
28. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

*[Remainder of page intentionally left blank.]*

IN WITNESS WHEREOF, the Grantor has executed this Agreement by its duly authorized representative as of the date first written above.

GRANTOR:

ADEN & ANAIS, INC.

By: 

Name: William Wayne Jones

Title: President

SCHEDULE A

PLEDGED COLLATERAL

1. Pledged Shares

NONE

2. Pledged Partnership Interests

NONE

3. Pledged Limited Liability Company Interests

NONE

SCHEDULE B

COPYRIGHTS, PATENTS AND MARKS

COPYRIGHTS

Aden & Anais Packaging, Reg #VAu000985286

PATENTS

NONE

MARKS

ISSIE

WONDERWRAP

MUM + BUB

SERENITY STAR

SWADDLEGIFT

ADEN + ANAIS

ADEN + ANAIS

MADE FOR BABY, DESIGNED FOR YOU

SWADDLEPLUS

BURPY BIB

THE ULTIMATE IN SOFTNESS AND BREATHABILITY

FOR EVERY MOTHER. FOR EVERY CHILD. FOR EVERY MOMENT.

APPLICATIONS FOR REGISTRATION OF MARKS

IDEAL BABY

EASY SWADDLE

SPEEDY SWADDLE

MUSY

NIBBLE

LICENSES

- Mum + Bub Skincare Range - royalty agreement to Dr. Ellen Gendler for use of her name
- Serenity Star – royalty agreement to Whipsaw for developing the star
- CJ Foundation - charitable donation which allows use of SIDS logo

- Burpy Bibs - license agreement with “I’m Still Me” for use of the design
- Private label agreement with American Eagle for “little 77”
- Private label agreement with Serena and Lily

SCHEDULE C

**LOCATIONS OF EQUIPMENT AND INVENTORY**

Location of Inventory and/or Equipment

SCHEDULE D

**LOCATIONS OF BOOKS AND RECORDS**

1. Chief Executive Office
  
2. Locations of Account Records and Chattel Paper
  
3. Organizational Identification Number



SCHEDULE E

DEPOSIT ACCOUNTS, CERTAIN INVESTMENT PROPERTY  
AND LETTERS OF CREDIT

1. Deposit Accounts

<u>Name and Address of Institution Holding Account</u>	<u>Account No.</u>
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2. Securities Accounts and Other Investment Property

<u>Description of Asset</u>	<u>Account No.</u>
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<u>Name and Address of Institution Holding Account</u>
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NONE

3. Letters of Credit Issued for the Benefit of the Grantor

NONE

SCHEDULE F  
UCC FILING OFFICE

State of New York