

08-13-2001

IEET

Docket No.:

LY

41412-999



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To the Honorable Commissioner of Patents and Trademarks, please return the attached original documents or copy thereof.

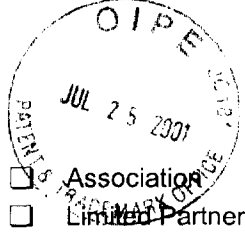
1. Name of conveying party(ies):

BOOK ACQUISITION, LLC  
2415 Palumbo Drive  
Lexington, KY 40509

72501

- Individual(s)
- General Partnership
- Corporation-State Michigan
- Other

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



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

Name: FRANKLIN ENTERPRISES, INC.

Internal Address: Suite 380

Street Address: 520 Lake Cook Road

City: Deerfield State: IL ZIP: 60015

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State Michigan
- Other

If assignee is not domiciled in the United States, a domestic designation is  Yes  N  
(Designations must be a separate document from Additional name(s) & address(es)  Yes  N

3. Nature of conveyance:

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

Execution Date: July 18, 2001

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

A. Trademark Application No.(s)

75/803,624    75/792,439    75/715,808  
75/793,497    75/739,335  
75/792,440    75/738,842

Additional numbers

B. Trademark Registration No.(s)

2,408,463  
2,231,959

Yes  No

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

Name: Franklin Enterprises, Inc.

Internal Address: Attention: Michael O'Loughlin

Street Address: 520 Lake Cook Road

Suite 380

City: Deerfield State: IL ZIP: 60015

6. Total number of applications and registrations involved:.....

9

7. Total fee (37 CFR 3.41):.....\$ \$240.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

04-2223

08/10/2001 AWNED1 0000206 042223 75803624

DO NOT USE THIS SPACE

01 FC:481 40.00 CH  
02 FC:482 200.00 CH

9. Statement and signature.

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

Donald N. Huff

Name of Person Signing

Signature

July 24, 2001

Date

Total number of pages including cover sheet, attachments, and

3

TRADEMARK

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT is dated as of July 18, 2001 between BOOK ACQUISITION LLC, a Michigan limited liability company ("Debtor"), and FRANKLIN ENTERPRISES, INC. ("Secured Party").

### W I T N E S S E T H :

WHEREAS, Debtor has executed a promissory revolving line of credit note to the order of Secured Party dated as of the date in the amount of up to Five Million (\$5,000,000.00) (the "Note"); and

WHEREAS, in order to secure the payment and performance of Debtor's obligations under the Note, Debtor has agreed to grant to Secured Party the security interests contemplated by this Agreement;

NOW, THEREFORE, in consideration of the premises and in order to induce Secured Party to make the loans to Borrower as evidenced by the Note, Debtor hereby agrees with Secured Party as follows:

#### SECTION 1. Definitions

1.1 Certain Defined Terms. Terms defined in the Note and not otherwise defined herein shall have the respective meanings provided for in the Note. The following terms, as used herein, have the meanings set forth below:

"Accounts" means all "accounts" (as now or hereafter defined in the UCC) now owned or hereafter created or acquired by Debtor and all of the following now owned or hereafter created or acquired by Debtor: (a) accounts receivable, contract rights, payment intangibles, book debts, notes, drafts and other obligations or indebtedness owing to Debtor arising from the sale, lease, license or exchange of goods or other property and/or the performance of services; (b) Debtor's rights in, to and under all purchase orders for goods, services or other property; (c) Debtor's rights to any goods, services or other property represented by any of the foregoing (including returned or repossessed goods and unpaid sellers' rights of rescission, replevin, reclamation and rights to stoppage in transit); (d) monies due to or to become due to Debtor under all contracts for the sale, lease or exchange of goods or other property and/or the performance of services including the right to payment of any interest or finance charges with respect thereto (whether or not yet earned by performance on the part of Debtor); and (e) all collateral security and guaranties of any kind given by any Person with respect to any of the foregoing.

"Collateral" has the meaning assigned to that term in Section 2.

"Control" means "control" as defined in the UCC.

"Copyright Security Agreement" means, if any, a Copyright Security Agreement executed and delivered by Debtor to Secured Party, as the same may be amended and in effect from time to time.

"Copyrights" means collectively all of the following now owned or hereafter created or acquired by Debtor: (a) all copyrights, rights and interests in copyrights, works protectable by copyright, copyright registrations and copyright applications, including, without limitation, those listed in the schedules to the Copyright Security Agreement; (b) all renewals of any of the foregoing; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages or payments for past, present or future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

"Default" means a Default under the Note.

"Depository Account" has the meaning assigned to that term in Section 7.

"Documents" means all "documents" (as defined in the UCC) or other receipts covering, evidencing or representing goods now owned or hereafter acquired by Debtor including, without limitation, all bills of lading, dock warrants, dock receipts, warehouse receipts and orders for the delivery of goods, and any other document which in the regular course of business or financing is treated as adequately evidencing that the Person in possession of it is entitled to receive, hold and dispose of the document and the goods it covers.

"Equipment" means all "equipment" (as defined in the UCC) now owned or hereafter acquired by Debtor including, without limitation, all machinery, motor vehicles, trucks, trailers, vessels, aircraft, rolling stock and all other tangible personal property (other than Inventory) and all parts thereof and all additions and accessions thereto and replacements therefor.

"Event of Default" means an Default hereunder.

"Fixtures" means all "fixtures" (as defined in the UCC) now owned or hereafter acquired by Debtor including, without limitation, plant fixtures, trade fixtures and business fixtures, wherever located, and all additions and accessions thereto and replacements therefor.

"General Intangibles" means all "general intangibles" (as now or hereafter defined in the UCC) now owned or hereafter created or acquired by Debtor including, without limitation, (a) all agreements, leases, licenses and contracts to which Debtor is or may become a party; (b) all obligations or indebtedness owing to Debtor (other than Accounts) or other rights to receive payments of money from whatever source arising and all collateral security therefor; (c) all tax

refunds and tax refund claims; (d) all Intellectual Property; (e) all choses in action and causes of action; and (f) all trade secrets and other confidential information relating to the business of Debtor including, without limitation: the names and addresses of, and credit and other business information concerning, Debtor's past, present or future customers; the prices which Debtor obtains for its services or at which it sells merchandise; policies and procedures pertaining to the sale and design of equipment, components, devices and services furnished by Debtor; information concerning suppliers of Debtor; and information concerning the manner of operation, business plans, projections, and all other information of any kind or character, whether or not reduced to writing, with respect to the conduct by Debtor of its business not generally known by the public.

"Instruments" means all "instruments", "chattel paper" and "letters of credit" (each as defined in the UCC) in which Debtor now has or hereafter acquires any rights including, without limitation, all checks, drafts, notes, bonds, debentures and certificates of deposit.

"Intellectual Property" means collectively all of the following: Copyrights, Patents and Trademarks.

"Inventory" means all "inventory" (as defined in the UCC) now owned or hereafter acquired by Debtor, wherever located, including, without limitation, finished goods, raw materials, work in process and other materials and supplies (including packaging and shipping materials) used or consumed in the manufacture or production thereof and goods which are returned to or repossessed by Debtor.

"Investment Property" means all "investment property" (as defined in the UCC) now owned or hereafter acquired by Debtor including, without limitation, all securities (certificated and uncertificated), securities accounts, securities entitlements, commodity contracts and commodity accounts (as each such term is defined in the UCC).

"Loan Documents" means the Note.

"Patent Security Agreement" means, if any, a Patent Security Agreement executed and delivered by Debtor to Secured Party, as the same may be amended and in effect from time to time.

"Patents" means collectively all of the following now owned or hereafter created or acquired by Debtor: (a) all patents and patent applications including, without limitation, those listed on any schedule to any Patent Security Agreement and the inventions and improvements described and claimed therein, and patentable inventions; (b) the reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

"Proceeds" means all "proceeds" (as defined in the UCC) of, and all other profits, rentals or receipts, in whatever form, arising from the collection, sale, lease, exchange, assignment, licensing or other disposition of, or realization upon, any Collateral including, without limitation, all claims of Debtor against third parties for loss of, damage to or destruction of, or for proceeds payable under, or unearned premiums with respect to, policies of insurance with respect to any Collateral, and any condemnation or requisition payments with respect to any Collateral, in each case whether now existing or hereafter arising.

"Secured Obligations" has the meaning assigned to that term in Section 3.

"Security Interests" means the security interests granted pursuant to Section 2 hereof and pursuant to the Copyright Security Agreement, the Patent Security Agreement and the Trademark Security Agreement, as well as all other security interests created or assigned as additional security for the Secured Obligations pursuant to the provisions of this Agreement and the other Loan Documents.

"Trademark Security Agreement" means, if any, a Trademark Security Agreement executed and delivered by Debtor to Secured Party, as the same may be amended and in effect from time to time.

"Trademarks" means collectively all of the following now owned or hereafter created or acquired by Debtor: (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other business identifiers, prints and labels on which any of the foregoing have appeared or appear, all registrations and recordings thereof, and all applications in connection therewith including, without limitation, those listed on any schedule to any Trademark Security Agreement; (b) all renewals thereof; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing including, without limitation, damages and payments for past, present and future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; (e) all rights corresponding to any of the foregoing throughout the world; and (f) all goodwill associated with and symbolized by any of the foregoing.

"UCC" means the Uniform Commercial Code as in effect from time to time in the Commonwealth of Kentucky, provided that if by reason of mandatory provisions of law, the perfection or the effect of perfection or non-perfection of the Security Interests in any Collateral or the availability of any remedy hereunder is governed by the Uniform Commercial Code as in effect on or after the date hereof in any other jurisdiction, "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.

1.2 Other Definition Provisions. References to "Sections," "subsections," "Exhibits" and "Schedules" shall be to Sections, subsections, Exhibits and Schedules, respectively, of this Agreement unless otherwise specifically provided. Any of the terms defined in subsection 1.1 may,

unless the context otherwise requires, be used in the singular or the plural depending on the reference. All references to statutes and related regulations shall include (unless otherwise specifically provided herein) any amendments of same and any successor statutes and regulations.

## SECTION 2. Grant of Security Interests

To secure the payment, performance and observance of the Secured Obligations, Debtor hereby grants to Secured Party a continuing security interest in, right of setoff against, and an assignment to Secured Party of, all right, title and interest of Debtor in all personal property, whether now owned or existing or hereafter acquired or arising and regardless of where located including, without limitation, the following (all being collectively referred to herein as the "Collateral"):

- (a) Accounts;
- (b) Inventory;
- (c) General Intangibles;
- (d) Documents;
- (e) Instruments;
- (f) Equipment;
- (g) Fixtures;
- (h) Investment Property;
- (i) All deposit accounts of Debtor maintained with any bank or financial institution (other than Depository Accounts) and the contents thereof;
- (j) All Depository Accounts, all cash and other property deposited therein from time to time and other monies and property of Debtor in the possession or under the control of Secured Party;
- (k) All books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the property described in subparts (a) - (j) above or are otherwise necessary or helpful in the collection thereof or realization thereon; and
- (l) Proceeds of all or any of the property described in subparts (a) - (k) above.

## SECTION 3. Security for Obligations

This Agreement secures the payment and performance of Debtor's indebtedness, liabilities and obligations under the Note and all indebtedness, liabilities and obligations of Debtor to Secured Party now existing or hereafter created or arising under this Agreement or otherwise and all renewals, extensions, restructurings and refinancings of any of the above including, without limitation, any additional indebtedness which may be extended to Debtor pursuant to any restructuring or refinancing of Debtor's indebtedness under the Note, and including any post-petition interest accruing during any bankruptcy, reorganization or other similar proceeding (all such indebtedness, liabilities and obligations of Debtor being collectively referred to herein as the "Secured Obligations").

#### SECTION 4. Debtor Remains Liable

Anything herein to the contrary notwithstanding: (a) Debtor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed; (b) the exercise by Secured Party of any of the rights hereunder shall not release Debtor from any of its duties or obligations under the contracts and agreements included in the Collateral; and (c) Secured Party shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall Secured Party be obligated to perform any of the obligations or duties of Debtor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

#### SECTION 5. Representations and Warranties

In order to induce Secured Party to enter into this Agreement, Debtor represents and warrants to Secured Party as follows:

5.1 Binding Obligation. This Agreement is the legally valid and binding obligation of Debtor, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditor's rights generally.

5.2 Location of Equipment, Inventory and Fixtures. All of the Equipment, Inventory and Fixtures are located at 1245 Palumbo Drive, Kentucky. All hereafter acquired Equipment, Inventory or Fixtures will be located at the said address except as otherwise permitted hereunder.

5.3 Ownership of Collateral: Bailees. Debtor owns the Collateral, and will own all after-acquired Collateral, free and clear of any lien. No effective financing statement or other form of lien notice covering all or any part of the Collateral is on file in any recording. None of the Collateral is in the possession of any consignee, bailee, warehouseman, agent or processor. Debtor does not sell any Inventory to any customer on approval or on any other basis which entitles the

customer to return, or which may obligate Debtor to repurchase, such Inventory, provided, however sales of merchandise by Debtor are subject to a thirty day return policy.

5.4 Office Locations: Fictitious Names. The mailing address, principal place of business, chief executive office and office where Debtor keeps its books and records relating to the Accounts, Documents, General Intangibles, Instruments and Investment Property is located at 1245 Palumbo Drive, Lexington, Kentucky. Debtor has no other places of business. Debtor does not do business and has not done business during the past five years under any tradename or fictitious business name. Debtor has not acquired assets from any Person, other than assets acquired in the ordinary course of Debtor's business, during the past five years.

5.5 Perfection. Secured Party has a valid, perfected and, except for the Permitted Encumbrances, first priority security interest in the Collateral, securing the payment of the Secured Obligations, and such Security Interests are entitled to all of the rights, priorities and benefits afforded by the UCC or other applicable law as enacted in any relevant jurisdiction which relates to perfected security interests.

5.6 Governmental Authorizations; Consents. No authorization, approval or other action by, and no notice to or filing with, any domestic or foreign governmental authority or regulatory body or consent of any other Person is required either (a) for the grant by Debtor of the Security Interests granted hereby or for the execution, delivery or performance of this Agreement by Debtor or (b) for the perfection of or the exercise by Secured Party of its rights and remedies hereunder (except as may have been taken by or at the direction of Debtor or Secured Party).

5.7 Accounts. Each existing Account arising in the ordinary course of business constitutes, and each hereafter arising in the ordinary course of business Account will constitute, the legally valid and binding obligation of the account debtor obligated to pay the same. The amount represented by Debtor to Secured Party as owing by each account debtor is, or will be, the correct amount actually and unconditionally owing, except for normal cash discounts and allowances where applicable. No account debtor has any defense, set-off, claim or counterclaim against Debtor that can be asserted against Secured Party, whether in any proceeding to enforce Secured Party's rights in the Collateral or otherwise except defenses, setoffs, claims or counterclaims that are not, in the aggregate, material to the value of the Accounts. None of the Accounts is, nor will any hereafter arising Account be, evidenced by a promissory note or other Instrument other than a check.

5.8 Intellectual Property. The Copyrights, Patents and Trademarks listed on the respective schedules to each of the Copyright Security Agreement, Patent Security Agreement and Trademark Security Agreement constitute all of the Patents, Trademarks and federally registered Copyrights owned by Debtor. All Patents, Trademarks and federally registered Copyrights owned by Debtor are valid, subsisting and enforceable and all filings necessary to maintain the effectiveness of such registrations have been made.



5.9 Inventory. All Inventory is of good and merchantable quality, free from any defects, such Inventory is not subject to any licensing, patent, trademark, trade name or copyright agreement with any Person that restricts Debtor's ability to manufacture and/or sell the Inventory. The completion and manufacturing process of such Inventory by a Person other than Debtor would be permitted under any contract to which Debtor is a party or to which the Inventory is subject.

5.10 Accurate Information. All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Debtor with respect to the Collateral is and will be accurate and complete in all material respects.

## SECTION 6. Further Assurances; Covenants

6.1 Other Documents and Actions. Debtor will, from time to time, at its expense, promptly execute and deliver all further instruments and documents and take all further action that may be reasonably necessary or desirable, or that Secured Party may reasonably request, in order to create, perfect and protect any security interests granted or purported to be granted hereby or pursuant to any other Loan Document or to enable Secured Party to exercise and enforce its rights and remedies hereunder, or under any other Loan Document with respect to any Collateral. Without limiting the generality of the foregoing, Debtor will: (a) execute and file such financing or continuation statements, or amendments thereto, and such other instruments, documents or notices, as may be reasonably necessary or desirable, or as Secured Party may reasonably request, in order to create, perfect and preserve the security interests granted or purported to be granted hereby or pursuant to any other Loan Document; (b) at any reasonable time, upon demand by Secured Party, exhibit the Collateral to allow inspection of the Collateral by Secured Party or Persons designated by Secured Party and to examine and make copies of the records of Debtor related thereto, and to discuss the Collateral and the records of Debtor with respect thereto with, and to be advised as to the same by, Debtor's officers and employees and, after the occurrence and during the continuance of an Event of Default, in the case of the Accounts, Documents, General Intangibles, Instruments and Investment Property with any Person which is or may be obligated thereon; and (c) upon Secured Party's request, appear in and defend any action or proceeding that may affect Debtor's title to or Secured Party's security interest in the Collateral.

6.2 Secured Party Authorized. Debtor hereby authorizes Secured Party to file one or more financing or continuation statements, and amendments thereto (or similar documents required by any laws of any applicable jurisdiction), relating to all or any part of the Collateral without the signature of Debtor where permitted by law.

6.3 Corporate or Name Change. Debtor will give Secured Party at least thirty (30) days prior written notice of any change in Debtor's name, identity, mailing address or corporate structure. With respect to any such change, Debtor will promptly execute and deliver such documents and take such actions as Secured Party deems necessary or desirable to create, perfect and preserve the security interests of Secured Party in the Collateral.

6.4 Business Locations. Subject to the next sentence, Debtor will keep the Collateral (other than Collateral in the possession of Secured Party and cash on deposit in Depository Accounts and other permitted deposit accounts) at the locations specified above. Debtor will give Secured Party at least thirty (30) days prior written notice of any change in Debtor's chief executive office and principal place of business or of any new location of business or any new location for any of the Collateral. With respect to any new location (which in any event shall be within the continental United States), Debtor will execute and deliver such documents and take such actions as Secured Party deems necessary to perfect and preserve Secured Party's security interest in the Collateral.

6.5 Bailees. No Collateral shall at any time be in the possession or control of any warehouseman, bailee or any of Debtor's agents or processors without Secured Party's prior written consent and unless Secured Party, if Secured Party has so requested, has received warehouse receipts or bailee lien waivers satisfactory to Secured Party prior to the commencement of such storage. Debtor shall, upon the request of Secured Party, notify any such warehouseman, bailee, agent or processor of the Security Interests created hereby and shall instruct such Person to hold all such Collateral for Secured Party's account subject to Secured Party's instructions.

6.6 Instruments. Debtor will deliver and pledge to Secured Party all Instruments duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Secured Party. Debtor will also deliver to Secured Party all security agreements securing any Instruments and execute UCC-3 financing statements assigning to Secured Party any UCC financing statements filed by Debtor in connection with such security agreements. Debtor will mark conspicuously all chattel paper with a legend, in form and substance satisfactory to Secured Party, indicating that such chattel paper is subject to the Security Interests.

6.7 Filing Requirements. None of the Equipment (other than motor vehicles not having a market value in excess of \$100,000 in the aggregate) is covered by any certificate of title. Upon execution of this Security Agreement, Debtor shall promptly deliver to Secured Party any and all certificates of title, applications for title or similar evidence of ownership of all Equipment and shall cause Secured Party to be named as lienholder on any such certificate of title or other evidence of ownership. None of the Collateral is of a type in which security interests or liens may be registered, recorded or filed under, or notice thereof given under, any federal statute or regulation except for Collateral described on the schedules to the Copyright Security Agreement, the Patent Security Agreement and the Trademark Security Agreement. Debtor shall promptly notify Secured Party in writing upon acquiring any interest hereafter in Collateral that is of a type where a security interest or lien may be registered, recorded or filed under, or notice thereof given under, any federal statute or regulation. Debtor shall promptly inform Secured Party of any additions to or deletions from the Equipment and shall not permit any such items to become Fixtures to real estate other than real estate subject to mortgages or deeds of trust in favor of Secured Party. The legal description and street address of the property on which any Fixtures are located is set forth on Schedule I, together with the name and common address of the record owner of each such property.

6.8 Investment Property Covenants. Debtor will take any and all actions required or requested by Secured Party, from time to time, to (a) cause Secured Party to obtain exclusive Control of any Investment Property owned by Debtor in a manner acceptable to Secured Party and (b) obtain from any issuers of Investment Property and such other Persons, for the benefit of Secured Party, written confirmation of Secured Party's Control over such Investment Property. For purposes of this subsection 6.8, Secured Party shall have exclusive Control of Investment Property if (i) such Investment Property consists of certificated securities and Debtor delivers such certificated securities to Secured Party (with appropriate endorsements if such certificated securities are in registered form); (ii) such Investment Property consists of uncertificated securities and either (x) Debtor delivers such uncertificated securities to Secured Party or (y) the issuer thereof agrees, pursuant to documentation in form and substance satisfactory to Secured Party, that it will comply with instructions originated by Secured Party without further consent by Debtor; and (iii) such Investment Property consists of security entitlements and either (x) Secured Party becomes the entitlement holder thereof or (y) the appropriate securities intermediary agrees, pursuant to documentation in form and substance satisfactory to Secured Party, that it will comply with entitlement orders originated by Secured Party without further consent by Debtor.

6.9 Account Covenants. Except as otherwise provided in this subsection 6.9, Debtor shall continue to collect, at its own expense, all amounts due or to become due Debtor under the Accounts and apply such amounts as are so collected to the outstanding balances thereof. In connection with such collections, Debtor may take (and, at Secured Party's direction, shall take) such action as Debtor or Secured Party may deem necessary or advisable to enforce collection of the Accounts; provided, that Secured Party shall have the right at any time after the occurrence and during the continuance of a Default or an Event of Default to: (a) notify the customers or obligors under any Accounts of the assignment of such Accounts to Secured Party and to direct such customers or obligors to make payment of all amounts due or to become due directly to Secured Party; (b) enforce collection of any such Accounts; and (c) adjust, settle or compromise the amount or payment of such Accounts. After the occurrence and during the continuance of a Default or an Event of Default (i) all amounts and Proceeds received by Debtor with respect to the Accounts shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of Debtor and shall be forthwith paid over to Secured Party in the same form as so received (with any necessary endorsement) to be held in the Depository Account pursuant to Section 7 or applied pursuant to Section 13. Debtor shall not adjust, settle or compromise the amount or payment of any Account, or release wholly or partly any customer or obligor thereof, or allow any credit or discount thereon (other than credits and discounts in the ordinary course of business and in amounts which are not material to Debtor) without the prior consent of Secured Party.

6.10 Intellectual Property Covenants. Debtor shall concurrently herewith deliver to Secured Party the Copyright Security Agreement, the Patent Security Agreement and the Trademark Security Agreement and all other documents, instruments and other items as may be necessary for Secured Party to file such agreements with the U.S. Copyright Office and the U.S. Patent and Trademark Office. If, before the Secured Obligations are paid in full, Debtor acquires any new Patents, Trademarks or federally registered Copyrights, or rights thereto, Debtor shall give to Secured Party

prompt written notice thereof, and shall amend the schedules to the respective security agreements to include any such new Patents, Trademarks or federally registered Copyrights. Debtor shall: (a) prosecute diligently any copyright, patent or trademark application at any time pending; (b) make application for registration or issuance of all new copyrights, patents and trademarks as reasonably deemed appropriate by Debtor; (c) preserve and maintain all rights in the Intellectual Property; and (d) use its best efforts to obtain any consents, waivers or agreements necessary to enable Secured Party to exercise its remedies with respect to the Intellectual Property. Debtor shall not abandon any material right to file a copyright, patent or trademark application nor shall Debtor abandon any material pending copyright, patent or trademark application, or Copyright, Patent or Trademark without the prior written consent of Secured Party. Debtor represents and warrants to Secured Party that the execution, delivery and performance of this Agreement by Debtor will not violate or cause a default under any of the Intellectual Property or any agreement in connection therewith.

6.11 Equipment Covenants. Debtor shall cause the equipment to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with any manufacturer's manual, and shall promptly make or cause to be made all repairs, replacements, and other improvements in connection therewith that are necessary or desirable to such end.

6.12 Protection of Collateral; Insurance. Debtor will do nothing to impair the rights of Secured Party in the Collateral. Debtor shall at all times maintain insurance with respect to the Collateral in compliance with the requirements of the Note. Debtor assumes all liability and responsibility in connection with the Collateral acquired by it, and the liability of Debtor to pay the Secured Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, stolen, damaged, or for any reason whatsoever unavailable to Debtor.

6.13 Taxes and Claims. Debtor will pay when due all property and other taxes, assessments and governmental charges imposed upon, and all claims against, the Collateral (including claims for labor, materials and supplies); provided that no such tax, assessment or charge need be paid if Debtor is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if Debtor has established such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP; and provided further that the same can be contested without risk of loss or forfeiture or material impairment of the Collateral or the use thereof.

6.14 Collateral Description. Debtor will furnish to Secured Party, from time to time upon request, statements and schedules further identifying and describing the Collateral and such other information, reports and evidence concerning the Collateral (and in particular the Accounts) as Secured Party may reasonably request, all in reasonable detail.

6.15 Use of Collateral. Debtor will not use or permit any Collateral to be used unlawfully or in violation of any provision of applicable law, or any policy of insurance covering any of the Collateral.

6.16 Records of Collateral. Debtor shall keep full and accurate books and records relating to the Collateral and shall stamp or otherwise mark such books and records in such manner as Secured Party may reasonably request indicating that the Collateral is subject to the Security Interests.

6.17 Federal Claims. Debtor shall notify Secured Party of any Collateral which constitutes a claim against the United States government or any instrumentality or agency thereof, the assignment of which claim is restricted by federal law. Upon the request of Secured Party, Debtor shall take such steps as may be necessary to comply with any applicable federal assignment of claims laws and other comparable laws.

6.18 Hot Goods. None of the Inventory of Debtor has been or will be produced in violation of any provision of the Fair Labor Standards Act of 1938, as amended, or in violation of any other law.

#### SECTION 7. Bank Accounts Collection of Accounts and Payments

Upon request by Secured Party, Debtor shall enter into a bank agency agreement ("Bank Agency Agreement"), in a form specified by Secured Party, with each financial institution with which Debtor maintains from time to time any deposit accounts (general or special). Pursuant to the Bank Agency Agreements and pursuant hereto, Debtor grants and shall grant to Secured Party, for the benefit of Secured Party and Lenders, a continuing lien upon, and security interest in, all such accounts and all funds at any time paid, deposited, credited or held in such accounts (whether for collection, provisionally or otherwise) or otherwise in the possession of such financial institutions, and each such financial institution shall act as Secured Party's agent in connection therewith. Debtor shall not establish any deposit account with any financial institution unless prior thereto Secured Party and Debtor shall have entered into a Bank Agency Agreement with such financial institution.

Upon a demand for payment pursuant to the Note or an Event of Default hereunder, Debtor shall establish lock-box or blocked accounts (collectively, "Blocked Accounts") in Debtor's name with such banks as are acceptable to Secured Party ("Collecting Banks"), subject to irrevocable instructions in a form specified by Secured Party, to which the obligors of all Accounts shall directly remit all payments on Accounts and in which Debtor will immediately deposit all cash payments for Inventory or other cash payments constituting proceeds of Collateral in the identical form in which such payment was made, whether by cash or check. Debtor will cause the relevant instructions and agreements related to the Blocked Accounts to establish "control" within the meaning of the UCC in favor of Secured Party in the Blocked Accounts to the satisfaction of Secured Party and its counsel. In addition, Secured Party may establish one or more depository accounts at each Collecting Bank or at a centrally located bank (collectively, the "Depository Account"). From and after receipt by any Collecting Bank of written notice from Secured Party to such Collecting Bank that an Event of Default has occurred and is continuing, all amounts held or deposited in the Blocked Accounts held by such Collecting Bank shall be transferred to the Depository Account. Subject to the foregoing, Debtor hereby agrees that all payments received by Secured Party whether by cash, check,

wire transfer or any other instrument, made to such Blocked Accounts or otherwise received by Secured Party and whether on the Accounts or as proceeds of other Collateral or otherwise will be the sole and exclusive property of Secured Party. Debtor, and any of its Affiliates, employees, agents and other Persons acting for or in concert with Debtor shall, acting as trustee for Secured Party, receive, as the sole and exclusive property of Secured Party, any moneys, checks, notes, drafts or other payments relating to and/or constituting proceeds of Accounts or other Collateral which come into the possession or under the control of Debtor or any Affiliates, employees, agent, or other Persons acting for or in concert with Debtor, and immediately upon receipt thereof, Debtor or such Persons shall deposit the same or cause the same to be deposited in kind, in a Blocked Account.

**SECTION 8. Secured Party Appointed Attorney-in-Fact**

Debtor hereby irrevocably appoints Secured Party as Debtor's attorney-in-fact, with full authority in the place and stead of Debtor and in the name of Debtor, Secured Party or otherwise, from time to time in Secured Party's discretion to take any action and to execute any instrument that Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

- (a) to obtain and adjust insurance required to be paid to Secured Party;
- (b) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;
- (c) to receive, endorse, and collect any drafts or other Instruments, Documents and chattel paper, in connection with clauses (a) and (b) above;
- (d) to file any claims or take any action or institute any proceedings that Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Secured Party with respect to any of the Collateral;
- (e) to pay or discharge taxes or liens levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by Secured Party in its sole discretion, and such payments made by Secured Party to become obligations of Debtor to Secured Party, due and payable immediately without demand;
- (f) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, assignments, verifications and notices in connection with Accounts and other documents relating to the Collateral; and
- (g) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option and Debtor's expense, at any time

or from time to time, all acts and things that Secured Party deems necessary to protect, preserve or realize upon the Collateral.

Debtor hereby ratifies and approves all acts of Secured Party made or taken pursuant to this Section 8. Except for willful misconduct, neither Secured Party nor any Person designated by Secured Party shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law. This power, being coupled with an interest, is irrevocable so long as this Agreement shall remain in force.

#### SECTION 9. Transfers and Other Liens

Except as otherwise permitted herein or by the Note, Debtor shall not:

(a) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Collateral, except that Debtor may sell Inventory in the ordinary course of business and Equipment which is unusable or obsolete; or

(b) create or suffer to exist any lien, security interest or other charge or encumbrance upon or with respect to any of the Collateral to secure indebtedness of any Person except for the security interest created by this Agreement or purchase money security interests in Equipment and statutory liens for amounts not yet due.

#### SECTION 10. Remedies

(a) If any Event of Default shall have occurred and be continuing, Secured Party may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Collateral) and also may: (i) require Debtor to, and Debtor hereby agrees that it will, at its expense and upon request of Secured Party forthwith, assemble all or part of the Collateral as directed by Secured Party and make it available to Secured Party at any reasonable place or places designated by Secured Party in which event Debtor shall at its own expense (A) forthwith cause the same to be moved to the place or places so designated by Secured Party and thereby delivered to Secured Party, (B) store and keep any Collateral so delivered to Secured Party at such place or places pending further action by Secured Party, and (C) while Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain the Collateral in good condition; (ii) withdraw all cash in the Depository Accounts and apply such monies in payment of the Secured Obligations; and (iii) without notice except as specified below, sell, lease or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale, and without the necessity of gathering at the place of sale of the property to be sold, at any of the Secured Party's offices or elsewhere, at such time or times, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as Secured Party may deem commercially reasonable. Debtor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days notice to Debtor of the time and place of any public sale or the time after which any private sale is to be made

shall constitute reasonable notification. At any sale of the Collateral, if permitted by law, Secured Party may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for the purchase of the Collateral or any portion thereof for the account of Secured Party. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. To the extent permitted by law, Debtor hereby specifically waives all rights of redemption, stay or appraisal which it has or may have under any law now existing or hereafter enacted.

(b) Upon the occurrence and during the continuance of an Event of Default, Secured Party or its agents or attorneys shall have the right without notice or demand or legal process (unless the same shall be required by applicable law), personally, or by agents or attorneys, (i) to enter upon, occupy and use any premises owned or leased by Debtor or where the Collateral is located (or is believed to be located) until the Secured Obligations are paid in full without any obligation to pay rent to Debtor, to render the Collateral useable or saleable and to remove the Collateral or any part thereof therefrom to the premises of Secured Party or any agent of Secured Party for such time as Secured Party may desire in order to effectively collect or liquidate the Collateral and use in connection with such removal any and all services, supplies and other facilities of Debtor; (ii) to take possession of Debtor's original books and records, to obtain access to Debtor's data processing equipment, computer hardware and software relating to the Collateral and to use all of the foregoing and the information contained therein in any manner Secured Party deems appropriate; and (iii) to notify postal authorities to change the address for delivery of Debtor's mail to an address designated by Secured Party and to receive, open and dispose of all mail addressed to Debtor.

(c) Debtor acknowledges and agrees that a breach of any of the covenants contained in Sections 6, 7 and 9 hereof will cause irreparable injury to Secured Party and that Secured Party has no adequate remedy at law in respect of such breaches and therefore agrees, without limiting the right of Secured Party to seek and obtain specific performance of other obligations of Debtor contained in this Agreement, that the covenants of Debtor contained in the Sections referred to in this Section shall be specifically enforceable against Debtor.

#### SECTION 11. Assignment of Intellectual Property

Debtor hereby assigns, transfers and conveys to Secured Party all Intellectual Property owned or used by Debtor to the extent necessary to enable Secured Party, effective upon the occurrence of any Event of Default, to realize on the Collateral and any successor or assign to enjoy the benefits of the Collateral. This right and assignment shall inure to the benefit of Secured Party and its successors, assigns and transferees, whether by voluntary conveyance, operation of law, assignment, transfer, foreclosure, deed in lieu of foreclosure or otherwise. Such right and assignment is granted free of charge, without requirement that any monetary payment whatsoever including, without limitation, any royalty or license fee, be made to Debtor or any other Person by Secured Party or any Lender.



## SECTION 12. Assigned Agreements

If an Event of Default has occurred and is continuing, Debtor hereby irrevocably authorizes and empowers Secured Party, without limiting any other authorizations or empowerments contained in any of the other Loan Documents, to assert, either directly or on behalf of Debtor, any claims Debtor may have, from time to time, against any other party to any of the agreements to which Debtor is a party or to otherwise exercise any right or remedy of Debtor under any such agreements (including, without limitation, the right to enforce directly against any party to any such agreement all of Debtor's rights thereunder, to make all demands and give all notices and to make all requests required or permitted to be made by Debtor thereunder).

## SECTION 13. Limitation on Duty of Secured Party with Respect to Collateral

Beyond the safe custody thereof, Secured Party shall have no duty with respect to any Collateral in its possession or control (or in the possession or control of any agent or bailee) or with respect to any income thereon or the preservation of rights against prior parties or any other rights pertaining thereto. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property. Secured Party shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by Secured Party in good faith.

## SECTION 14. Application of Proceeds

Upon the occurrence and during the continuance of an Event of Default, the proceeds of any sale of, or other realization upon, all or any part of the Collateral and any cash held in the Depository Accounts shall be applied: first, to all reasonable fees, costs and expenses incurred by Secured Party or any Lender with respect to the Note, the other Loan Documents or the Collateral including, without limitation, those described in Section 15 hereof; second, to accrued and unpaid interest on the Secured Obligations (including any interest which but for the provisions of the Bankruptcy Code, would have accrued on such amounts); third, to the principal amounts of the Secured Obligations outstanding; and fourth, to any other indebtedness or obligations of Debtor owing to Secured Party under the Note. Any balance remaining shall be delivered to Debtor or to whomever may be lawfully entitled to receive such balance or as a court of competent jurisdiction may direct.

## SECTION 15. Expenses

Debtor shall pay all reasonable costs, fees and expenses of protecting, storing, warehousing, appraising, insuring, handling, maintaining and shipping the Collateral, all reasonable costs, fees and expenses of creating, perfecting, maintaining and enforcing the Security Interests, and any and all excise, property, sales and use taxes imposed by any federal, state, local or foreign authority on any of the Collateral, or with respect to periodic appraisals and inspections of the Collateral, or with

respect to the sale or other disposition thereof. If Debtor fails to promptly pay any portion of the above costs, fees and expenses when due or to perform any other obligation of Debtor under this Agreement, Secured Party may, at its option, but shall not be required to, pay or perform the same and charge Debtor's account for all fees, costs and expenses incurred therefor, and Debtor agrees to reimburse Secured Party therefor on demand. All sums so paid or incurred by Secured Party for any of the foregoing, any and all other sums for which Debtor may become liable hereunder and all fees, costs and expenses (including attorneys' fees, legal expenses and court costs) incurred by Secured Party in enforcing or protecting the Security Interests or any of their rights or remedies under this Agreement shall be payable on demand, shall constitute Secured Obligations, shall bear interest until paid at the highest rate provided in the Note and shall be secured by the Collateral.

#### SECTION 16. Termination of Security Interests; Release of Collateral

Upon payment in full of all Secured Obligations and the termination of all Commitments under the Note, the Security Interests shall terminate and all rights to the Collateral shall revert to Debtor. Upon such termination of the Security Interests or release of any Collateral, Secured Party will, at the expense of Debtor, execute and deliver to Debtor such documents as Debtor shall reasonably request to evidence the termination of the Security Interests or the release of such Collateral, as the case may be.

#### SECTION 17. Notices

All notices, approvals, requests, demands and other communications hereunder shall be given (i) if to Debtor, to Debtor's address set forth in Section 5.4 above and (ii) if to Secured Party, to Secured Party's address set forth in the UCC financing statement filed to perfect the security interests granted herein. Notice shall be deemed received, if the notice is sent by mail, on the third business day after mailing, if by overnight mail or other expedited overnight service, on the date delivered, or on the date delivered if delivered by hand.

#### SECTION 18. Successors and Assigns

This Agreement is for the benefit of Secured Party and its successors and assigns, and in the event of an assignment of all or any of the Secured Obligations, the rights hereunder, to the extent applicable to the Secured Obligations so assigned, may be transferred with such Secured Obligations. This Agreement shall be binding on Debtor and its successors and assigns; provided that Debtor may not delegate its obligations under this Agreement without Secured Party's prior written consent.

#### SECTION 19. Changes in Writing

No amendment, modification, termination or waiver of any provision of this Agreement shall be effective unless the same shall be in writing signed by Secured Party.

#### SECTION 20. Applicable Law

**THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE COMMONWEALTH OF KENTUCKY, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.**

**SECTION 21. Failure or Indulgence Not Waiver, Remedies Cumulative**

No failure or delay on the part of Secured Party or any Lender in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or any other right, power or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

**SECTION 22. Headings**

Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

**SECTION 23. Counterparts**

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

**SECTION 24. Survival**

All representations and warranties of Debtor contained in this Agreement shall survive the execution and delivery of this Agreement.

Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

**BOOK ACQUISITION LLC**

By:           Matt Montoya            
Name:           Matt Montoya            
Title:           Pres          

**FRANKLIN ENTERPRISES, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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Witness the due execution hereof by the respective duly authorized officers of the undersigned as of the date first written above.

**BOOK ACQUISITION LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANKLIN ENTERPRISES, INC.**

By: *Michael D. O'Rourke*  
Name: Michael D. O'Rourke  
Title: Vice President

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