

08-22-2001



101819761

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

8-22-01

8-22-01

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- New
- Resubmission (Non-Recordation)
Document ID #
- Correction of PTO Error
Reel # Frame #
- Corrective Document
Reel # Frame #

Conveyance Type

- Assignment License
- Security Agreement Nunc Pro Tunc Assignment
- Merger Change of Name
- Other

Effective Date
Month Day Year
8/16/01

Conveying Party

Mark if additional names of conveying parties attached

Name

Execution Date
Month Day Year
8/16/01

Formerly

- Individual General Partnership Limited Partnership Corporation Association
- Other
- Citizenship/State of Incorporation/Organization

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/T/A

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

- Individual General Partnership Limited Partnership Corporation Association
- Other
- Citizenship/State of Incorporation/Organization

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

08/22/2001 DBYRNE 00000175 1924346

FOR OFFICE USE ONLY

01 FC:481
02 FC:482

40.00 OP
75.00 OP

00010468
DBYRNE

Refund Total:

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Mail documents to be recorded with required cover sheet(s) to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

TRADEMARK

REEL: 002352 FRAME: 0559

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments.

#

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

<input type="text" value="See Schedule A Attached"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

Method of Payment:

Enclosed

Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes

No

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. Charges to deposit account are authorized, as indicated herein.

Elizabeth J. Burns

Name of Person Signing

Elizabeth J. Burns

Signature

8-21-01

Date Signed

SCHEDULE A

TO

TRADEMARK SECURITY AGREEMENT

Dated as of August 16, 2001

Trademarks Owned By Cape Craftsmen, Inc.

<u>TRADE MARK</u>	<u>DATE OF REGISTRATION OR APPLICATION</u>	<u>REGISTRATION NUMBER</u>	<u>STATUS</u>
It's A Wonderful Life Gift collection		U.S. 1,924,346	Registered
Timbercreek Collection		U.S. 1,900,655	Registered
Welcome Home		U.S. 1,998,885	Registered
Cape Craftsmen		U.S. 1,511,326	Registered

Schedule A

TRADEMARK SECURITY AGREEMENT

THIS TRADEMARK SECURITY AGREEMENT (the "Agreement") is made and entered into as of 16 August, 2001 by CAPE CRAFTSMEN, INC., a Delaware corporation having an office at 210A Old Dairy Road, Wilmington, NC 28405 ("Debtor"), in favor of Congress Financial Corporation (Central), an Illinois corporation, having an office at 150 South Wacker Drive, Suite 2200, Chicago, Illinois 60606, individually and as agent (in such capacity, "Agent") for itself and lenders ("Lenders") from time to time party to the Loan Agreement as hereinafter defined.

WITNESSETH:

WHEREAS, Agent and Lenders have entered or are about to enter into a Loan and Security Agreement with JII, Inc., a Delaware corporation ("Borrower") (as amended, restated or otherwise modified from time to time, the "Loan Agreement"), pursuant to which Agent and Lenders may make loans and provide other financial accommodations to Borrower (capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Loan Agreement); and

WHEREAS, Debtor has executed and delivered or is about to execute and deliver to Agent a Guarantee (as amended, reaffirmed or otherwise modified from time to time, the "Guarantee") in favor of Agent for the benefit of Agent and Lenders pursuant to which Debtor absolutely and unconditionally guarantees to Agent and Lenders (subject to the terms thereof) the payment and performance of all now existing and hereafter arising obligations, liabilities and indebtedness of Borrower to Agent and Lenders; and

WHEREAS, Debtor has executed and delivered or is about to execute and deliver to Agent a Security Agreement (as amended, restated or otherwise modified from time to time, the "Security Agreement") in favor of Agent for the benefit of Agent and Lenders pursuant to which Debtor grants a security interest in substantially all of its assets (including the Collateral, as defined below) to Agent for the benefit of Lenders (subject to the terms thereof); and

WHEREAS, Debtor is a Subsidiary of Borrower, and as such will directly and indirectly benefit from the loans and other financial accommodations provided by Agent and Lenders to Borrower under the Loan Agreement.

WHEREAS, the Lenders have required, as a condition to the extension of credit to the Borrower under the Loan Agreement, that Debtor shall grant to the Agent for its benefit and the ratable benefit of the Lenders a security interest in and to the Collateral (as defined herein).

AGREEMENT

NOW THEREFORE, in consideration of the premises and in order to induce the Lenders to extend credit under the Loan Agreement, the Debtor hereby agrees with the Agent as follows:

1. Creation of Security Interest. The Debtor hereby grants to the Agent for its benefit and the ratable benefit of the Lenders a security interest in all of the Debtor's right, title and interest in and to the collateral described in Section 2 herein (the "Collateral") in order to secure the payment of the Obligations and all liabilities of Debtor under the Guarantee (collectively, the "Secured Obligations").

2. Collateral. The Collateral is:

(a) all of the Debtor's trademarks, trademark registrations, tradenames and trademark applications, which, in each case, are owned by the Debtor and are now or hereafter filed with the United States Patent and Trademark Office, or, to the extent applicable, any similar office or agency of any state, territory or possession of the United States or any similar office or agency of any other countries or used in the United States, any state, territory or possession thereof or any other country, including, without limitation, the trademarks, tradenames, trademark registrations and trademark applications listed on Schedule A attached hereto and made a part hereof, and (i) renewals thereof, (ii) all income, royalties, damages and payments now and hereafter due or payable with respect thereto, including, without limitation, 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 rights corresponding thereto throughout the world (all of the foregoing trademarks, trademark registrations, tradenames and trademark applications, together with the items described in clauses (i)-(iv) in this subparagraph (a), are sometimes hereinafter referred to, either individually or collectively, as the "Trademarks"); and

(b) the goodwill of the Debtor's business connected with and symbolized by the Trademarks.

3. License.

(a) Grant of License. Debtor hereby grants to the Agent for its benefit and for the ratable benefit of the Lenders a non-exclusive, assignable right and license (i) under the Trademarks to use such Trademarks and (ii) under any license agreements held by the Debtor with respect to trademarks owned by any person or entity other than the Debtor to the extent permitted under such agreements, and to sell any Collateral bearing any such Trademarks to the extent that such license is reasonably necessary to permit or to facilitate the collection, after an Event of Default, of any accounts receivable of Debtor or the disposition, after an Event of Default, of any Collateral (the "License"). The License shall be without royalty or any other payments or fees by the Agent or the Lenders and the permitted use by the Agent and the Lenders thereunder (i) shall be worldwide and (ii) shall be limited only by those restrictions to which the Debtor is subject under the Trademarks.

(b) Term of License. The term of the License (the "License Term") shall continue until the earlier of: (i) the expiration of all of the Trademarks; (ii) full and final payment and performance of all the Secured Obligations and the termination of the Loan Agreement and the other Financing Agreements; or (iii) disposition of all Collateral and any proceeds thereof in connection with the enforcement of the Agent's and the Lenders' remedies

under the Financing Agreements and application of the proceeds of such disposition to the satisfaction of the Secured Obligations.

4. Restrictions on Future Agreements. Until the Secured Obligations shall have been satisfied in full and the Loan Agreement and the other Financing Agreements shall have been terminated, the Debtor will not, without the Agent's prior written consent, which consent shall not be unreasonably withheld, (a) enter into any agreement, including, without limitation, any license agreement that is inconsistent with the Debtor's obligations under this Agreement and the other Financing Agreements to which the Debtor is a party, (b) take any action, or permit any action to be taken by others subject to its control, including licensees, or fail to take any action (including, without limitation, the abandonment of any Trademark), that would affect the validity or enforceability of the rights transferred to the Agent and the Lenders under this Agreement or (c) enter into any other contractual obligations which may restrict or inhibit the Agent's rights to sell or otherwise dispose of the Collateral or any part thereof after the occurrence of an Event of Default.

5. New Trademarks. The Debtor represents and warrants that the Trademarks listed on Schedule A constitute all of the registered trademarks, tradenames and applications which are as of the date hereof owned by or are pending on behalf of the Debtor in the United States or any state of the United States (as set forth on Schedule A). If, before the Secured Obligations shall have been satisfied in full, the Debtor shall (i) (a) obtain any registration or apply for any registration after the date hereof in the United States Patent and Trademark Office or in any similar office or agency of a state, territory or possession of the United States or (b) obtain rights to any trademarks or tradenames used in the United States or any state, territory or possession thereof, or (ii) (a) become entitled to the benefit of any trademark application, trademark, tradename or trademark registration in the United States or any state, territory or possession thereof or (b) become entitled to the benefit of any trademark or tradenames used in the United States or any state, territory or possession thereof, the provisions of Section 1 shall automatically apply thereto and the Debtor shall give to the Agent written notice thereof. The Debtor hereby authorizes the Agent to modify this Agreement by amending Schedule A to include any future trademarks, trademark registrations, trademark applications and tradenames that are Trademarks, as applicable, under Section 2 or under this Section 5.

6. Additional Representations and Warranties. The Debtor hereby represents, warrants, covenants and agrees that:

(a) It is and will continue to be the owner of all its right, title and interest in the Collateral so long as the Trademarks shall continue in force, free from any lien in favor of any person or entity.

(b) It has the full right and power to grant the security interest in the Collateral made hereby.

(c) It has made no previous assignment, transfer or agreements in conflict herewith or constituting a present or future assignment, transfer, or encumbrance on any of the Collateral.

(d) So long as any Secured Obligations remain outstanding or the Loan Agreement or the other Financing Agreements have not been terminated, it will not execute, and there will not be on file in any public office, any financing statement or other document or instruments evidencing or giving notice of liens affecting the Collateral.

(e) To the best of Debtor's knowledge, no material infringement or unauthorized use presently is being made of any of the Trademarks which would adversely affect the fair market value of the Collateral or the benefits of this Agreement granted to the Agent and the Lenders, including, without limitation, the validity, priority or perfection of the security interest granted herein or the remedies of the Agent hereunder and the Debtor will continue to maintain monitoring and enforcement practices which fully and adequately protect the Collateral.

7. Royalties; Terms. The Debtor hereby agrees that the permitted use by the Agent of all Trademarks shall be worldwide without any liability for royalties or other related charges from the Agent or the Lenders to the Debtor. The term of the security interest granted herein shall extend until the earlier of (i) the expiration of each of the respective Trademarks, or (ii) the Secured Obligations have been paid in full and the Loan Agreement and the other Financing Agreements have been terminated.

8. Agent's Right to Maintain Quality. The Debtor agrees that from and after the occurrence of an Event of Default, the Agent shall have the right to establish such additional product quality controls as the Agent, in its sole judgment, may deem necessary to assure maintenance of the quality of products sold by the Debtor under the Trademarks. The Debtor agrees (i) not to sell or assign its interest in, or to grant any license under, any Trademarks without the prior written consent of the Agent, which consent shall not be unreasonably withheld; provided that the Debtor may grant non-exclusive licenses in Trademarks in the ordinary course of its business; (ii) to maintain the quality of any and all products in connection with which the Trademarks are used, consistent with the quality of such products as of the date hereof; and (iii) to provide the Agent, upon request, with a certificate of an officer of the Debtor certifying the Debtor's compliance with the foregoing.

9. Duties of the Debtor. The Debtor shall (i) prosecute, in its best judgment, diligently any trademark application that is part of the Trademarks pending as of the date hereof or thereafter until the Secured Obligations shall have been paid in full and the Loan Agreement and the other Financing Agreements shall have been terminated, (ii) make application for registration on trademarks, as appropriate, (iii) preserve and maintain all rights in trademark applications, trademarks, tradenames, and trademark registrations that are part of the Trademarks; (iv) not abandon any right to file a trademark application nor any pending trademark application if the value thereof could reasonably be expected to justify the cost of obtaining such trademark, and (v) not abandon any given Trademark. Any expenses incurred in connection with the applications referred to in this Section 9 shall be borne by the Debtor.

If the Debtor fails to comply with any of the foregoing duties, the Agent may so comply in the Debtor's name to the extent permitted by law, but at the Debtor's expense, and the Debtor hereby agrees to reimburse the Agent in full for all expenses, including the reasonable

fees and disbursements of attorneys and paralegals (including charges for inside counsel) incurred by the Agent in protecting, defending and maintaining the Collateral.

In the event that the Debtor shall fail to pay when due any fees required to be paid by it hereunder, or shall fail to discharge any lien, prohibited hereby, or shall fail to comply with any other duty hereunder, the Agent may, but shall not be required to, pay, satisfy, discharge or bond the same for the account of the Debtor and all moneys so paid out shall be Secured Obligations of the Debtor repayable on demand, together with interest at an interest rate equal to the highest rate permitted by Section 3.1 of the Loan Agreement.

The Debtor shall take all action necessary to preserve and maintain the validity, perfection and first priority of the Agent's security interest granted herein in the Collateral.

10. Agent's Right to Sue. From and after the occurrence of an Event of Default, the Agent shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce the Collateral, and any licenses thereunder, and, if the Agent shall commence any such suit, the Debtor shall, at the request of the Agent, do any and all lawful acts and execute any and all proper documents required by the Agent in aid of such enforcement and the Debtor shall indemnify and shall, upon demand, promptly reimburse the Agent for all damages, costs and expenses, including attorneys' and paralegal fees and expenses, incurred by the Agent in the exercise of its rights under this Section 10.

11. Waivers. No course of dealing between the Debtor and the Agent or the Lenders, nor any failure to exercise, nor any delay in exercising, on the part of the Agent or any Lender, any right, power or privilege hereunder or under the Loan Agreement or any other Financing Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

12. Severability. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction. If any provision hereof shall render an otherwise valid Trademark invalid or ineffective, then such provision shall be void ab initio to the extent that the validity or effectiveness of the Trademark is thereby preserved and the Debtor shall make suitable other valid arrangements to provide the Agent and the Lenders with equivalent protections to that intended hereby.

13. Amendments and Waivers. Except as set forth in Section 5 hereof, neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Agent. Agent shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Agent. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Agent of any right, power and/or remedy on

any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Agent would otherwise have on any future occasion, whether similar in kind or otherwise.

14. **Remedies.** If any Event of Default shall have occurred, the Agent shall be entitled to exercise in respect of the Collateral, in addition to other rights and remedies provided for herein, in the Loan Agreement and the other Financing Agreements or otherwise available to Agent, all of the rights and remedies of a secured party under the Uniform Commercial Code in effect in the State of Illinois (the "UCC") whether or not the UCC applies to the affected Collateral, and also may (i) require the Debtor, and the Debtor hereby agrees that it will upon the request of the Agent, forthwith, (A) execute and deliver an assignment, substantially in the form of Exhibit A hereto, of all right, title and interest in and to the Collateral, and (B) take such other action as the Agent may request to effectuate the outright assignment of such Collateral or to exercise, register or further perfect and protect their rights and remedies with respect to such assigned Collateral, and (ii) without notice except as specified below, sell the Trademarks and the goodwill of the businesses related thereto or any part thereof in one or more parcels at public or private sale, at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such terms as are commercially reasonable. The Debtor agrees that at least five (5) days' prior notice to the Debtor of the time and place of any public sale or the time which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of the Collateral regardless of notice of sale having been given. The Agent 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. The Agent or any Lender may purchase all or any part of the Collateral at public or, if permitted by law, private sale and, in lieu of actual payment of such purchase price, may setoff the amount of such price against the Secured Obligations. The proceeds realized from the sale of any Collateral shall be, applied first to the reasonable costs, expenses and attorneys and paralegal fees and expenses incurred by the Agent for collection and for acquisition, protection, and sale of the Collateral; second to interest due upon any of the Secured Obligations; and third to the principal of the Secured Obligations. If any deficiency shall arise, the Debtor shall remain liable to the Agent and Lenders therefor to the extent provided in the Financing Agreements. The commencement of any action, legal or equitable, or the rendering of any judgment or decree for deficiency shall not affect the Agent's security interest in the Collateral until the Secured Obligations are fully paid. The Debtor agrees that the Agent and the Lenders have no obligation to preserve rights to Collateral against any other parties.

15. **Cumulative Remedies; Power of Attorney; Effect on the Other Agreements.** All of the Agent's rights and remedies with respect to the Collateral, whether established hereby, by the Loan Agreement, the other Financing Agreements or by law shall be cumulative and may be exercised singularly or concurrently. The Debtor hereby authorizes the Agent to make, constitute and appoint any officer or agent of the Agent as the Agent may select, in its sole discretion, as the Debtor's true and lawful attorney-in-fact, with power, from and after the occurrence of an Event of Default to (a) endorse the Debtor's name on all applications, documents, papers and instruments necessary or desirable for the Agent in the use of the

Collateral including, without limitation, if the Debtor fails to execute and deliver within three (3) business days of the Agent's request therefor the assignment substantially in the form of Exhibit A hereto, (b) take any other actions with respect to the Collateral as the Agent deems in the best interest of the Agent, (c) grant or issue any exclusive or non-exclusive license under the Collateral to anyone, or (d) assign, pledge, convey or otherwise transfer title in or dispose of the Collateral to anyone. The Debtor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney, being coupled with an interest, shall be irrevocable until all Secured Obligations shall have been paid in full and the Loan Agreement and the other Financing Agreements have been terminated. The Debtor acknowledges and agrees that this Agreement is not intended to limit or restrict in any way the rights and remedies of the Agent and the Lenders under the Loan Agreement and the other Financing Agreements but rather is intended to facilitate the exercise of such rights and remedies.

16. Notice. All notices, requests and demands hereunder shall be in writing and (a) made to Agent and to Debtor at their respective addresses set forth in Section 13.3 of the Loan Agreement or to such other address as either party may designate by written notice to the other in accordance with this provision, and (b) deemed to have been given or made: if delivered in person, immediately upon delivery; if by telex, telegram or facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next business day, one (1) business day after sending; and if by registered or certified mail, return receipt requested, five (5) days after mailing.

17. Continuing Security Interest; Transfer of Obligations. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until payment in full of the Secured Obligations and termination of the Loan Agreement and the other Financing Agreements, (ii) be binding upon the Debtor, its successors and assigns, and (iii) inure, together with the rights and remedies of the Agent and the Lenders hereunder, to the benefit of the Agent and the Lenders, and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii) and subject to the provisions of the Loan Agreement the Agent and/or any Lender may, assign or otherwise transfer any of the Secured Obligations and/or the "Obligations" as defined in the Loan Agreement to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Agent and/or such Lender herein or otherwise.

18. Authority of the Agent. The Agent shall have and be entitled to exercise all powers hereunder which are specifically delegated to the Agent by the terms hereof, together with such powers as are reasonably incident thereto. The Agent may perform any of its duties hereunder or in connection with the Collateral by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of counsel concerning all such matters. The Agent and its directors, officers, employees, attorneys and agents shall be entitled to rely on any communication, instrument or document believed by it or them to be genuine and correct and to have been signed or sent by the proper person or persons. The Debtor agrees to indemnify and hold harmless the Agent and the Lenders and any other person acting on behalf of the Agent or the Lenders from and against any and all costs, expenses, including reasonable fees

and expenses of attorneys and paralegals (including charges of inside counsel), claims or liability incurred by the Agent or any Lenders or such person hereunder, unless such claim or liability shall be due to willful misconduct or gross negligence on the part of the Agent, the Lenders or such person.

19. Waiver. To the fullest extent it may lawfully so agree, the Debtor agrees that it will not at any time insist upon, claim, plead, or take any benefit or advantage of any appraisal, valuation, stay, extension, moratorium, redemption or similar law now or hereafter in force in order to prevent, delay, or hinder the enforcement hereof or the absolute sale of any part of the Collateral. The Debtor for itself and all who claim through it, so far as it or they now or hereafter lawfully may do so, hereby waives the benefit of all such laws, and all right to have the Collateral marshalled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclose this Agreement may order the sale of the Collateral as an entirety. Without limiting the generality of the foregoing, the Debtor hereby: (i) authorizes the Agent in its sole discretion and without notice to or demand upon the Debtor and without otherwise affecting the obligations of the Debtor hereunder from time to time to take and hold other collateral (in addition to the Collateral) for payment of the Secured Obligations, or any part thereof, and to exchange, enforce or release such other collateral or any part thereof and to accept and hold any endorsement or guarantee of payment of the Secured Obligations, or any part thereof and to release or substitute any endorser or guarantor or any other person granting security for or in any other way obligated upon any Secured Obligations or any part thereof, and (ii) waives and releases any and all right to require the Agent to collect any of the Secured Obligations from any specific item or items of the Collateral or from any other party liable as guarantor or in any other manner in respect of any of the Secured Obligations or from any collateral (other than the Collateral) for any of the Secured Obligations.

20. Interpretation of Agreement. Time is of the essence of each provision of this Agreement of which time is an element. All terms not defined herein shall have the meaning set forth in the UCC, except where the context otherwise requires.

21. Reinstatement. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any amount received by the Agent or any Lender in respect of the Secured Obligations is rescinded or must otherwise be restored or returned by the Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Debtor or upon the appointment of any intervenor or conservator of, or trustee or similar official for, the Debtor or any substantial part of its assets, or otherwise, all as though such payments had not been made.

22. Final Expression. This Agreement, together with the other Financing Agreements to which the Debtor is a party, is intended by the parties as a final expression of their agreement and is intended as a complete and exclusive statement of the terms and conditions thereof. Acceptance of or acquiescence in a course of performance rendered under this Agreement shall not be relevant to determine the meaning of this Agreement even though the accepting or acquiescing party had knowledge of the nature of the performance and opportunity for objection.

23. Survival of Provisions. All representations, warranties and covenants of the Debtor contained herein shall survive the execution and delivery of this Agreement, and shall terminate only upon the full and final payment and performance by the Debtor of the Secured Obligations and termination of the Loan Agreement and the other Financing Agreements.

24. Termination of Agreement. This Agreement shall terminate upon full and final payment and performance of all the Secured Obligations and termination of the Loan Agreement and the other Financing Agreements. At such time, the Agent shall, at the request of the Debtor, reassign and redeliver to the Debtor all of the collateral of Debtor hereunder which has not been sold, disposed of, retained or applied by the Agent in accordance with the terms hereof. Such reassignment and redelivery shall be without warranty by or recourse to the Agent, except as to the absence of any prior assignments by the Agent of its interest in the Collateral, and shall be at the expense of the Debtor.

25. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall together constitute one and the same agreement.

26. GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL; WAIVER OF DAMAGES.

(a) THE VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THE RELATIONSHIP BETWEEN THE PARTIES HERETO, WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE, SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS (WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW).

(b) DEBTOR AND AGENT IRREVOCABLY CONSENT AND SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF THE ILLINOIS STATE COURTS LOCATED IN COOK COUNTY, ILLINOIS AND THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS AND WAIVE ANY OBJECTION BASED ON VENUE OR FORUM NON CONVENIENS WITH RESPECT TO ANY ACTION INSTITUTED THEREIN ARISING UNDER THIS AGREEMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR THE TRANSACTIONS RELATED HERETO WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE, AND AGREE THAT ANY DISPUTE WITH RESPECT TO ANY SUCH MATTERS MAY BE HEARD IN THE COURTS DESCRIBED ABOVE (EXCEPT THAT AGENT SHALL HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST DEBTOR OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION WHICH AGENT DEEMS NECESSARY OR APPROPRIATE IN ORDER TO REALIZE ON THE COLLATERAL OR TO OTHERWISE ENFORCE ITS RIGHTS AGAINST DEBTOR OR ITS PROPERTY).

(c) DEBTOR HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS

MAY BE MADE BY CERTIFIED MAIL (RETURN RECEIPT REQUESTED) DIRECTED TO ITS ADDRESS SET FORTH ON THE PREAMBLE HEREOF AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED TEN (10) DAYS AFTER THE SAME SHALL HAVE BEEN SO DEPOSITED IN THE CANADIAN OR US MAILS, OR, AT AGENT'S OPTION, BY SERVICE UPON DEBTOR IN ANY OTHER MANNER PROVIDED UNDER THE RULES OF ANY SUCH COURTS.

(d) DEBTOR AND AGENT EACH HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR THE TRANSACTIONS RELATED HERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. DEBTOR AND AGENT EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT DEBTOR OR AGENT MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) THE AGENT AND THE LENDERS SHALL NOT HAVE ANY LIABILITY TO DEBTOR (WHETHER IN TORT, CONTRACT, EQUITY OR OTHERWISE) FOR LOSSES SUFFERED BY DEBTOR IN CONNECTION WITH, ARISING OUT OF, OR IN ANY WAY RELATED TO THE TRANSACTIONS OR RELATIONSHIPS CONTEMPLATED BY THIS AGREEMENT, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION HEREWITH, UNLESS IT IS DETERMINED THAT THE LOSSES WERE THE RESULT OF ACTS OR OMISSIONS BY AGENT AND LENDERS CONSTITUTING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. IN ANY SUCH LITIGATION, THE AGENT AND THE LENDERS SHALL BE ENTITLED TO THE BENEFIT OF THE REBUTTABLE PRESUMPTION THAT THEY ACTED IN GOOD FAITH AND WITH THE EXERCISE OF ORDINARY CARE IN THEIR PERFORMANCE OF THE TERMS OF THIS AGREEMENT.

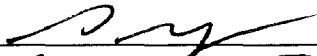
(f) EXCEPT FOR RIGHTS OF NOTICE WHICH ARE EXPRESSLY PROVIDED FOR HEREIN, DEBTOR HEREBY EXPRESSLY WAIVES ALL RIGHTS OF NOTICE AND HEARING OF ANY KIND PRIOR TO THE EXERCISE OF RIGHTS BY THE AGENT FROM AND AFTER THE OCCURRENCE OF AN EVENT OF DEFAULT TO REPOSSESS THE COLLATERAL WITH JUDICIAL PROCESS OR TO REPLEVY, ATTACH OR LEVY UPON THE COLLATERAL OR OTHER SECURITY FOR THE SECURED OBLIGATIONS. THE DEBTOR WAIVES THE POSTING OF ANY BOND OTHERWISE REQUIRED OF THE AGENT IN CONNECTION WITH ANY JUDICIAL PROCESS OR PROCEEDING TO OBTAIN POSSESSION OF, REPLEVY, ATTACH OR LEVY UPON THE COLLATERAL OR OTHER SECURITY FOR THE SECURED OBLIGATIONS, TO ENFORCE ANY JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF AGENT, OR TO ENFORCE BY SPECIFIC PERFORMANCE, TEMPORARY

RESTRAINING ORDER, PRELIMINARY OR PERMANENT INJUNCTION, THIS AGREEMENT OR ANY OTHER FINANCING AGREEMENT BETWEEN THE DEBTOR AND AGENT OR ANY OF THE LENDERS.

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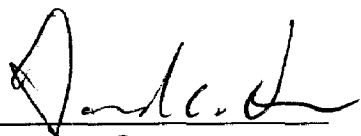
IN WITNESS WHEREOF, the Debtor has duly executed and delivered this Agreement as of the day and year first above written.

CAPE CRAFTSMEN, INC.,
a Delaware corporation

By: 
Name: Gordon L. ~~FRANK~~ Nelson, Jr.
Title Vice President

By acceptance hereof as of this _____ day of August, 2001 Agent on behalf of itself and the Lenders agrees to be bound by the provisions hereof.

CONGRESS FINANCIAL CORPORATION
(CENTRAL), an Illinois corporation,
as Agent

By: 
Name: David C. Quon
Title Senior Vice President

[Signature Page to Trademark Security Agreement of Cape Craftsmen, Inc.]

SCHEDULE A

TO

TRADEMARK SECURITY AGREEMENT

Dated as of August 16, 2001

Trademarks Owned By Cape Craftsmen, Inc.

<u>TRADE MARK</u>	<u>DATE OF REGISTRATION OR APPLICATION</u>	<u>REGISTRATION NUMBER</u>	<u>STATUS</u>
It's A Wonderful Life Gift collection		U.S. 1,924,346	Registered
Timbercreek Collection		U.S. 1,900,655	Registered
Welcome Home		U.S. 1,998,885	Registered
Cape Craftsmen		U.S. 1,511,326	Registered

Schedule A

EXHIBIT A

FORM OF ASSIGNMENT

ASSIGNMENT OF TRADEMARKS

THIS ASSIGNMENT OF TRADEMARKS ("Assignment") is made as of _____ August, 2001 by and between CAPE CRAFTSMEN, INC., a Delaware corporation, having an office at 210A Old Dairy Road, Wilmington, NC 28405 ("Assignor"), in favor of CONGRESS FINANCIAL CORPORATION (CENTRAL), having an office at 150 South Wacker Drive, Suite 2200, Chicago, Illinois 60606 as Agent for the Lenders ("Assignee").

Recitals

WHEREAS, Assignor and Assignee are parties to that certain Trademark Security Agreement dated as of _____ July, 2001 made by Assignor to Assignee (the "Agreement") providing that under certain conditions specified therein Assignor shall execute this Assignment; and

WHEREAS, the aforementioned conditions have been fulfilled;

NOW THEREFORE, Assignor hereby agrees as follows:

1. Assignment of Trademarks. Assignor hereby grants, assigns and conveys to Assignee for Assignee's benefit and for the ratable benefit of the Lenders its entire right, title and interest in and to (a) the trademarks, tradenames, trademark registrations and trademark applications listed on Schedule I attached hereto and made a part hereof, and (i) all renewals thereof, (ii) all income, royalties, damages, payments and other proceeds now and hereafter due or payable with respect thereto, including, without limitation, 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 rights corresponding thereto throughout the world (all of the foregoing are sometimes hereinafter referred to, either individually or collectively, as the "Trademarks"), and (b) the goodwill of Assignor's business connected with and symbolized by the Trademarks. The Trademarks and such goodwill are collectively referred to herein as the "Collateral".

2. Representations and Warranties. Assignor represents and warrants that it has the full right and power to make the assignment of the Collateral made hereby and that it has made no previous assignment, transfer, agreement in conflict herewith or constituting a present or future assignment or encumbrance of any or all of the Collateral, except as set forth in the Agreement.

3. Modification. This Assignment cannot be altered, amended or modified in any way, except by a writing signed by the parties hereto.

Exhibit A-1

4. Binding Effect; Governing Law. This Assignment shall be binding upon Assignor and its successors and shall inure to the benefit of Assignee and its successors and assigns. This Assignment shall, except to the extent that federal law or laws of another state apply to the Collateral or any part thereof, be governed by and construed in accordance with the internal (as opposed to the conflict of laws provisions) and decisions laws of the State of Illinois.

IN WITNESS WHEREOF, Assignor has caused this Assignment to be executed and delivered as of the date first above written.

CAPE CRAFTSMEN, INC.,
a Delaware corporation

By: _____

Name: _____

Title: _____

Exhibit A-2

SCHEDULE I

<u>Trademarks</u>	Trademark Registraton Number or Applicaton <u>Serial Number</u>	Registration or <u>Filing Date</u>
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Exhibit A-3