

12-22-2008



103540704

12-19-08

To the Director of the U. S. Patent and

1. Name of conveying party(ies):

SNUGZ/USA Incorporated

- Individual(s)
- General Partnership
- Corporation- State: Utah
- Other

Citizenship (see guidelines)

Additional names of conveying parties attached? Yes No

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

Execution Date(s) November 21, 2008

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

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? Yes No

Name: Diane Lindberg

Internal

Address:

Street Address: 2797 Pineview Drive

City: Salt Lake City

State: UT

Country: USA Zip: 84121

- Association
- General Partnership
- Limited Partnership
- Corporation
- Other

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)

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

A. Trademark Application No.(s)

See Attachment A

B. Trademark Registration No.(s)

See Attachment A

Additional sheet(s) attached? Yes No

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

See Attachment A

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

Name: A.O. Headman

Internal Address:

Street Address: 257 East 200 South
Suite 700

City: Salt Lake City

State: UT Zip: 84111

Phone Number:

Fax Number:

Email Address:

6. Total number of applications and registrations involved:

15

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 390.00

- Authorized to be charged to deposit account
- Enclosed

8. Payment Information:

12/19/2008 00000044 7403376
01 70:8521
02 71:8522

48.00 0P
358.00 0P

Deposit Account Number

Authorized User Name

9. Signature:

Diane Lindberg
Signature

November 20, 2008
Date

Diane Lindberg

Name of Person Signing

Total number of pages including cover sheet, attachments, and document: 25

TRADEMARK APPLICATIONS AND REGISTRATIONS OWNED BY SNUGZ/USA INCORPORATED
(Updated 11/19/08)

Workman Nydegger Law Firm Docket No.	Trademark	Country	Filing Date	Serial Number	Registration Number	Date Registered
14591.17	SNUGZ (Eyeglass retainers)	United States	February 27, 1990	74/033,776	1,664,758	November 19, 1991
14591.17a	SNUGZ	Canada	July 14, 1999	1211297	TMA543,402	July 19, 2001
14591.19	SNUGZ (Trademark)	United States	January 7, 2005	78/544,112	Pending	Pending
14591.19a	(Trademark)	Canada	May 27, 2005	1,259,195	Pending	Pending
14591.20	SZ (design)	United States	February 5, 1990	74/025,647	1,619,677	October 30, 1990
14591.21	SNUGZ (Design)	United States	February 27, 1990	74/033,774	1,676,604	February 25, 1992
14591.21a	SNUGZ & (Design)	Canada	July 14, 1999	1022440	TMA549,020	July 31, 2001
14591.22a	SNUGZ CANADA	Canada	July 14, 1999	1022439	TMA543,865	April 18, 2001

Workman Nydegger Law Firm Docket No.	Trademark	Country	Filing Date	Serial Number	Registration Number	Date Registered
14591.23	SNUGZ CANADA (Design)	Canada	May 26, 2005	1259017	Pending	Pending
14591.40	PAY IT FORWARD	United States	June 29, 2007	77/218779	Pending	Pending
14591.41	Z- COLLECTION	United States	April 1, 2008	77/437281	3,527,226	November 4, 2008
14591.43	PAY IT FORWARD (Bracelets)	United States	March 17, 2008	77/423653	3,519,800	October 21, 2008
14591.44	SOLUTIONZ	United States	April 2, 2008	77/437806	3,527,259	November 4, 2008
14591.45	IMPRESSIONZ	United States	April 2, 2008	77/437758	3,527,253	November 4, 2008
14591.46	LANYARDZ	United States	April 2, 2008	77/437846	Pending	Pending
14591.47	PRODUCTZ	United States	April 2, 2008	77/438027	Pending	Pending
14591.48	SNUGZ USA (word mark)	United States	April 1, 2008	77/437166	3,527,219	November 4, 2008
14591.49a	SNUGZ USA (word mark)	Canada	August 14, 2008	1407280	Pending	Pending
14591.49	SNUGZ (service mark)	United States	April 1, 2008	77/437239	3,530,532	November 11, 2008
14591.49a	SNUGZ (service mark)	Canada	August 14, 2008	1407273	Pending	Pending
14591.53	SNUGZ USA (design logo)	United States	November 18, 2008	77/616813	Pending	Pending
14591.56	SZ (design logo)	United States	November 18, 2008	77/616948	Pending	Pending

EXECUTION VERSION

SECURITY AGREEMENT

This Security Agreement (the "Security Agreement") is made as of November 21, 2008, by and among SNUGZ/USA Incorporated, a Utah corporation (the "Debtor"), and each of Shirley Angel, an individual ("Angel"), and Diane Lindberg, an individual ("Lindberg" and together with Angel, the "Secured Parties"). Each of the Secured Parties is referred to individually as a "Secured Party."

RECITALS

A. Debtor and each Secured Party have entered into a Stock Redemption Agreement of even date herewith (the "Redemption Agreements"), pursuant to which Debtor has issued secured promissory notes (each, a "Note" and collectively, the "Notes") in favor of Secured Parties.

B. In order to induce Secured Parties to extend the credit evidenced by the Notes and the Redemption Agreements, Debtor has agreed to enter into this Security Agreement and to grant to Secured Parties a security interest in the Collateral described below.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Debtor hereby agrees with Secured Parties as follows:

1. Definitions and Interpretation. When used in this Security Agreement, the following terms have the following respective meanings:

"Collateral" shall mean all of the following properties, assets and rights of the Debtor, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof: all personal and fixture property of every kind and nature including without limitation the intellectual property listed on Exhibit A attached hereto, all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts (including receivables), chattel paper (whether tangible or electronic), deposit accounts, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, vendor, supplier, manufacturer and customer agreements, and all general intangibles (including all payment intangibles).

"Event of Default" shall mean any of the following events:

(a) Debtor's failure to make any payment of principal or interest required under the Notes within ten (10) days after written notice of such failure by Secured Parties to Debtor, unless cured within such ten (10) day period.

(b) Debtor's assignment for the benefit of creditors, or Debtor's filing of a petition in bankruptcy or for reorganization or to effect a plan or arrangement with creditors.

(c) Debtor's application for, or Debtor voluntarily permitting, the appointment of a receiver or trustee for any or all property or assets of Debtor.

(d) The commencement of any of the actions or proceedings in subparagraphs (b) and (c) against Debtor which are not vacated within one hundred twenty (120) days of commencement.

(e) The actual dissolution or liquidation of Debtor.

(f) Any failure by Debtor to perform any obligation under the Redemption Agreements not involving the payment of money, or to comply with any other term or condition applicable to Debtor under the Notes or this Security Agreement and the expiration of thirty (30) days after written notice of such failure by Secured Parties to Debtor, unless cured within such thirty (30) day period, or if not curable within such thirty (30) day period, Debtor shall have initiated such cure within such thirty (30) day period, and thereafter shall diligently and continuously pursue such cure until complete.

(g) Debtor's failure to pay any monetary amount when due under any material written agreement with a third party involving \$100,000 or more in any calendar year after the passage of applicable notice, cure and redemption periods or rights.

(h) Any representation or warranty made by Debtor in the Redemption Agreement, the Notes, or this Security Agreement shall have been incorrect in any material respect when made which shall not have been remedied within forty-five (45) days after written notice thereof shall have been given by Secured Parties to Debtor.

"Existing Notes" means those certain secured promissory notes dated as of February 28, 2005 from Debtor, as borrower, in favor of the Existing Secured Parties, as lenders, as any of the same may be amended or modified from time to time.

"Existing Obligations" means the "Obligations," as defined in the Existing Security Agreement.

"Existing Secured Parties" means Bryan K. Hicks, in his individual capacity ("Hicks"), Bryan K. Hicks as the Trustee of the Marital Trust created under the Last Will and Testament of Patricia J. Hicks, dated April 3, 2001 (the "Marital Trust"), and as the Trustee of the Residuary Trust created under the Last Will and Testament of Patricia J. Hicks, dated April 3, 2001 (the "Residuary Trust" and together with the Marital Trust, the "Trusts"), and Howard James Adamson, an individual ("Adamson").

"Existing Security Agreement" means that certain Security Agreement dated as of February 28, 2005 by and among Debtor and the Existing Secured Parties, as the same may be amended or modified from time to time.

“Lien” shall mean, with respect to any property, any security interest, mortgage, pledge, lien, claim, charge or other encumbrance in, of, or on such property or the income therefrom, including, without limitation, the interest of a vendor or lessor under a conditional sale agreement, capital lease or other title retention agreement, or any agreement to provide any of the foregoing, and the filing of any financing statement or similar instrument under the UCC or comparable law of any jurisdiction.

“Obligations” means all loans, advances, debts, liabilities and obligations, howsoever arising, owed by Debtor to Secured Parties of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising under or pursuant to the terms of the Notes, the Redemption Agreements and this Security Agreement, including all interest, fees, charges, expenses, attorneys’ fees and costs and accountants’ fees and costs chargeable to and payable by Debtor hereunder and thereunder, in each case, whether direct or indirect, absolute or contingent, due or to become due, and whether or not arising after the commencement of a proceeding under Title 11 of the United States Code (11 U.S.C. Section 101 et seq.), as amended from time to time (including post-petition interest) and whether or not allowed or allowable as a claim in any such proceeding.

“Permitted Liens” means:

(a) Liens for taxes not yet delinquent or Liens for taxes being contested in good faith and by appropriate proceedings for which adequate reserves have been established;

(b) Liens in respect of property or assets imposed by law which were incurred in the ordinary course of business, such as carriers’, warehousemen’s, materialmen’s and mechanics’ Liens and other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings;

(c) Liens incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security, and mechanic’s Liens, carrier’s Liens and other Liens to secure the performance of tenders, statutory obligations, contract bids, government contracts, performance and return of money bonds and other similar obligations, incurred in the ordinary course of business, whether pursuant to statutory requirements, common law or consensual arrangements;

(d) Liens upon any equipment acquired or held by Debtor or any of its subsidiaries to secure the purchase price of such equipment or indebtedness incurred solely for the purpose of financing the acquisition of such equipment, so long as such Lien extends only to the equipment financed, and any accessions, replacements, substitutions and proceeds (including insurance proceeds) thereof or thereto;

(e) Liens which constitute rights of setoff of a customary nature or banker's liens, whether arising by law or by contract;

(f) Liens on insurance proceeds in favor of insurance companies granted solely as security for financed premiums;

(g) leases or subleases and licenses or sublicenses granted in the ordinary course of Company's business;

(h) without limiting any of the foregoing, Liens existing as of the date hereof which are evidenced by the filing of a UCC financing statement with the applicable filing office, including, without limitation, those naming any of the following as a Secured Party: Revco Leasing Company, CIT Communications Finance Corporation, Brighton Bank, Star Capital Group, L.P., Wells Fargo Bank, National Association, and A + Products Inc., and

(i) Liens granted or arising pursuant to the Existing Security Agreement.

"Person" shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, a limited liability company, an unincorporated association, a joint venture or other entity or a governmental authority.

"UCC" means the Uniform Commercial Code as in effect in the State of Utah from time to time.

Unless otherwise defined herein, all terms defined in the UCC have the respective meanings given to those terms in the UCC.

2. Grant of Security Interest.

(a) As security for the Obligations, Debtor hereby pledges and grants to Secured Parties a security interest and a continuing lien in all right, title and interests of Debtor in and to the Collateral. Notwithstanding the foregoing, the security interest granted herein shall not extend to and the term "Collateral" shall not include (i) any equipment or other property financed by a third party, provided that such third party's Liens are Liens of the type described in subsection (d) of the definition of Permitted Liens (the "Financed Equipment"), (ii) any equipment or other property financed by a third party to the extent that the contracts evidencing such lease or financing prohibit the granting by Debtor of any security interest therein or (iii) any property, rights or licenses to the extent the granting of a security interest would be contrary to applicable law.

(b) Debtor hereby irrevocably authorizes Secured Parties to file in any filing office in any UCC jurisdiction any initial financing statements and amendments thereto that (i) indicate the Collateral, and (ii) provide any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment. Debtor also irrevocably authorizes Secured Parties to file this Security Agreement with the United States Patent and Trademark Office. The parties further acknowledge that with respect to the portion of the Collateral which constitutes

intellectual property, Secured Parties may desire to take additional steps or make additional filings with non-U.S. governmental authorities to perfect and maintain the second priority of the lien hereof with respect to such intellectual property located outside of the United States of America or which is registered under the laws of a foreign jurisdiction. All such filings or steps shall be taken by Secured Parties after the date hereof, at the expense of Secured Parties and with the prior written consent of Debtor.

(c) This Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until the payment in full of all Obligations. Upon the payment in full of all Obligations, the security interest and lien granted hereby shall terminate hereunder and of record and all rights to the Collateral shall revert to Debtor. Upon any such termination the Secured Parties shall, at Debtor's expense, execute and deliver to Debtor such documents as Debtor shall reasonably request to evidence such termination.

3. General Representations and Warranties. Debtor represents and warrants to Secured Parties that:

(a) Debtor is a corporation duly organized and validly existing under the laws of the State of Utah, and has all requisite power and authority to own or hold under lease the property it purports to own or hold under lease and to carry on its business;

(b) Debtor has all requisite power and authority to execute and deliver this Security Agreement, the Redemption Agreements and the Notes and to perform its obligations hereunder and thereunder, the execution, delivery and performance of this Security Agreement, the Redemption Agreements and the Notes have been duly authorized by Debtor, and this Security Agreement, the Redemption Agreements and the Notes are the valid and legally binding obligations of Debtor legally enforceable against it in accordance with the terms hereof and thereof;

(c) Debtor has obtained all necessary consents, authorizations, approvals and orders required on the part of Debtor in connection with the issuance of this Security Agreement, the Redemption Agreements and the Notes;

(d) the execution, delivery and performance by Debtor of this Security Agreement, the Redemption Agreements and the Notes and the performance of Debtor of its obligations hereunder and thereunder, do not and will not contravene or constitute a default under, or give rise to a right of termination, cancellation or acceleration of, any right or obligation of Debtor under any provision of applicable law or regulation or of any agreement, judgment, injunction, order, decree or other instrument binding on Debtor or under its articles of incorporation, bylaws or other governing documents and, except as contemplated in this Security Agreement, the Redemption Agreements and Notes, will not result in the imposition of any lien on any asset of Debtor, nor will the execution and performance of this Security Agreement, the Redemption Agreements and the Notes by Debtor conflict with or result in a breach of or default under any oral or written agreement to which Debtor is a party or to which Debtor's assets are subject;

(e) there is not pending, nor to the knowledge of Debtor is there now threatened, any judicial, administrative or arbitral action, claim, suit, proceeding or investigation or other controversy which affects the validity or enforceability of this Security Agreement, the Redemption Agreements or the Notes or any action taken or to be taken in connection herewith or therewith or which, if adversely determined, would have a material and adverse effect on Debtor or its business, assets, operations or financial condition;

(f) Debtor is the owner of the Collateral (or, in the case of after-acquired Collateral, at the time Debtor acquires rights in the Collateral, will be the owner thereof) and that no other Person has (or, in the case of after-acquired Collateral, at the time Debtor acquires rights therein, will have) any right, title, claim or interest (by way of Lien or otherwise) in, against or to the Collateral, other than Permitted Liens;

(g) upon the filing of a UCC financing statement describing the Collateral and otherwise complying with the requirements of the UCC in the appropriate filing office, Secured Parties will have (or in the case of after-acquired Collateral, at the time Debtor acquires rights therein, will have) a perfected security interest in the Collateral to the extent that a security interest in the Collateral can be perfected by such filing, subject to any Permitted Liens;

(h) all accounts receivable and payment intangibles are genuine and enforceable against the party obligated to pay the same; and

(i) the originals of all documents evidencing all accounts receivable and payment intangibles of Debtor and the only original books of account and records of Debtor relating thereto are, and will continue to be, kept at Debtor's principal place of business, presently located at the address of Debtor set forth below.

4. Covenants. Until such time as the Obligations have been repaid in full, Debtor hereby agrees:

(a) to perform all acts that may be necessary to maintain, preserve, protect and perfect the Collateral, the Lien granted to Secured Parties therein and the perfection and second priority of such Lien, subject to any Permitted Liens and the provisions of Section 2(b) above;

(b) not to use or permit any Collateral to be used (i) in violation in any material respect of any applicable law, rule or regulation, or (ii) in violation of any policy of insurance covering the Collateral;

(c) to pay promptly when due all taxes and other governmental charges, all Liens, including, without limitation, the Existing Obligations, and all other charges now or hereafter imposed upon or affecting any Collateral;

(d) without fifteen (15) days prior written notice to Secured Parties, (i) not to change Debtor's name or place of business (or, if Debtor has more than one place of business, its chief executive office), or the office in which Debtor's records relating to

accounts receivable and payment intangibles are kept and (ii) not to change Debtor's state of incorporation;

(e) to procure, execute and deliver from time to time any endorsements, assignments, financing statements and other writings reasonably deemed necessary or appropriate by a Secured Party to maintain and protect its Lien hereunder and the second priority thereof and to deliver promptly upon the request of such Secured Party all originals of Collateral consisting of instruments, in each case subject to Section 2(b) above;

(f) to appear in and defend any action or proceeding which may affect its title to or any Secured Party's interest in the Collateral;

(g) if Secured Parties give value to enable Debtor to acquire rights in or the use of any Collateral, to use such value for such purpose;

(h) to keep separate, accurate and complete records of the Collateral and to provide such records and such other reports and information relating to the Collateral as a Secured Party may reasonably request from time to time;

(i) not to surrender or lose possession of (other than to the Existing Secured Parties or to the Secured Parties), sell, encumber, lease, rent, or otherwise dispose of or transfer any Collateral or right or interest therein, and to keep the Collateral free of all Liens except Permitted Liens; provided that Debtor may sell, lease, transfer, license or otherwise dispose of any of the Collateral in the ordinary course of business consisting of (i) the sale of inventory, (ii) sales of worn-out or obsolete equipment, and (iii) both exclusive and non-exclusive licenses and similar arrangements for the use of the property of Debtor;

(j) if requested by a Secured Party, to type, print or stamp conspicuously on the face of all original copies of all Collateral consisting of chattel paper a legend satisfactory to such Secured Party indicating that such chattel paper is subject to the security interest granted hereby;

(k) to collect, enforce and receive delivery of the accounts receivable and payment intangibles in accordance with past practice until otherwise notified by a Secured Party;

(l) to permit Secured Parties and their representatives the right, at any time during normal business hours, upon reasonable prior notice, to visit and inspect the properties of Debtor and its corporate, financial and operating records, and make abstracts therefrom, and to discuss Debtor's affairs, finances and accounts with its directors, officers and independent public accountants;

(m) to provide Secured Parties with quarterly financial statements;

(n) to maintain a current assets to current liabilities ratio of at least two to one (2:1) at all times, excluding for purposes of determining such ratio all expenses incurred

by Debtor, the Existing Secured Parties and the Employee Group (as defined in the Existing Security Agreement) in connection with the negotiation and documentation of the transactions contemplated by the Existing Security Agreement and the Purchase Agreement (as defined in the Existing Security Agreement) and any documents contemplated thereby, including, without limitation, all attorneys' fees and accountants' fees;

(o) to maintain an average ratio (before tax and excluding for purposes of determining such ratio all expenses incurred by Debtor, the Existing Secured Parties and the Employee Group (as defined in the Existing Security Agreement) in connection with the negotiation and documentation of the transactions contemplated by the Existing Security Agreement and the Purchase Agreement and any documents contemplated thereby, including, without limitation, all attorneys' fees and accountants' fees) of monthly net income to gross revenue of at least 12%, as measured over any six (6) consecutive month period that begins on or after March 1, 2005;

(p) to maintain a management structure, with the following individuals (the "Employee Group") holding the following positions:

Brandon Mackay	President, with responsibility for product development, purchasing and manufacturing
Charley Johnson	vice president of sales and marketing

provided that Debtor shall be entitled to terminate any such employee for "cause" (as that term may be defined in any employment agreement between Debtor and such employee);

(q) not to declare nor pay any dividends or other distributions of any kind with respect to its common stock; provided that in the event that Debtor at any time elects to be taxed as a "small business corporation" pursuant to Subchapter S and within the meaning of Section 1361 of the Internal Revenue Code of 1986, as amended, Debtor shall be entitled to declare and pay dividends at such times and in such amounts as will enable the shareholders of Debtor to pay their federal and state income taxes attributable to the flow-through of Debtor's income;

(r) not to issue any additional stock (other than to the members of the Employee Group) nor redeem any stock (except pursuant to an employment agreement or shareholders agreement with any member of the Employee Group), nor admit any new shareholders (except in the event of death of a shareholder, which shall not however operate to discharge any personal liability of such deceased shareholder hereunder);

(s) not to incur indebtedness other than (i) trade accounts payable and purchase money debt in the ordinary course of business, (ii) indebtedness incurred in connection with the purchase of raw materials and supplies and indebtedness owed to Debtor's contract manufacturer and printer in the ordinary course of business, and (iii) additional indebtedness in a reasonable amount so long as such indebtedness is subordinate to the Obligations;

(t) not to incur capital expenditures in excess of \$300,000 in any given fiscal year provided that Debtor may incur capital expenditures in excess of \$300,000 in any given fiscal year with the prior written consent of Secured Parties, which consent may not be unreasonably withheld;

(u) not to merge or consolidate with any other company, sell all or substantially all of its assets, joint venture (other than any joint venture which is controlled by the Employee Group or Debtor) with any other company, or engage in any other similar transaction, if the effect of such transaction is such that the Employee Group, collectively, no longer owns at least fifty percent (50%) of the stock or equity in the resulting entity or enterprise, including both voting and nonvoting stock or equity;

(v) to comply in all material respects with the terms and provisions of the Existing Notes and the Existing Security Agreement, including, without limitation, the timely making of all payments to the Existing Secured Parties due pursuant to the Existing Notes; and

(w) to obtain and maintain a key man life insurance policy in form and substance acceptable to Debtor issued on the life of Brandon Mackay in an amount not less than the then-outstanding aggregate principal amount of the Existing Notes and the Notes.

Notwithstanding the foregoing, Debtor shall not be required to comply with the covenants set forth in Sections 4(n) through (v) from and after the date on which each of the Existing Notes have been paid in full.

5. Covenants Regarding Intellectual Property. Debtor hereby agrees to perform all acts and execute all documents, including notices of security interest for each relevant type of intellectual property in forms suitable for filing with the Patent and Trademark Office or the Copyright Office, that may be necessary or desirable to record, maintain, preserve, protect and perfect Secured Parties' interest in the Collateral and the Lien granted to Secured Parties, in each case subject to the provisions of Section 2(b).

6. Litigation and Other Proceedings. Upon the occurrence and during the continuation of an Event of Default, each Secured Party shall have the right but not the obligation to bring suit or institute proceedings in the name of Debtor or such Secured Party to enforce any rights in the Collateral, including any license thereunder, in which event Debtor shall at the request of such Secured Party do any and all lawful acts and execute any and all documents reasonably required by such Secured Party in aid of such enforcement.

7. Senior Credit Facility, Priority, Default and Remedies.

(a) Senior Credit Facility. In the event that Debtor desires to obtain a secured credit facility for its operational needs in a reasonable amount and on reasonable terms, Secured Parties may consent to subordinate their security interests to such credit facility in their sole and absolute discretion, with such consent not to be unreasonably withheld.

(b) Priority. The Notes will be treated equally in terms of priority. Any prepayment of the Notes shall be on a pro rata basis unless otherwise agreed to in writing by the Secured Parties.

(c) Default. Debtor shall be deemed in default under this Security Agreement and the Notes upon the occurrence and during the continuance of an Event of Default.

(d) Remedies. Upon the occurrence and during the continuance of any Event of Default, Secured Parties shall have the rights of a secured creditor under the UCC and all rights granted by this Security Agreement, the Notes, and by law, including, but not limited to, the right to: (i) require Debtor to assemble the Collateral and make it available to Secured Parties at a place to be designated by Secured Parties; and (ii) prior to the disposition of the Collateral, store, process, repair or recondition it or otherwise prepare it for disposition in any manner and to the extent Secured Parties deem appropriate and in connection with such preparation and disposition, without charge, use any trademark, trade name, copyright, patent or technical process used by Debtor. Debtor hereby agrees that ten (10) days prior notice of any intended sale or disposition of any Collateral is reasonable. In addition to the foregoing remedies, upon the occurrence and during the continuance of any Event of Default, the Secured Parties may: (A) require that Debtor begin providing them with monthly financial statements, including a listing of the accounts receivable of Debtor and a related aging report and any other financial report deemed relevant by Secured Parties, (B) examine the books and records of the Company at any reasonable time; (C) require that a certified audit of the books and records of Debtor be performed by an auditor selected by Secured Parties, at Debtor's expense and (D) cause Debtor to appoint one Secured Party, or a designated representative of Secured Parties, as an additional member of the Board of Directors of Debtor.

8. Application of Collateral Proceeds. The proceeds and/or avails of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder (as well as any other amounts of any kind held by Secured Parties at the time of, or received by Secured Parties after, the occurrence of an Event of Default) shall be paid to and applied as follows, but only after such proceeds of the Collateral have been applied against the Existing Obligations and such Existing Obligations have been paid in full:

(a) First, to the payment of reasonable costs and expenses, including all amounts expended to preserve the value of the Collateral, of foreclosure or suit, if any, and of such sale and the exercise of any other rights or remedies, and of all proper fees, expenses, liability and advances, including reasonable legal expenses and attorneys' fees, incurred or made hereunder by Secured Parties;

(b) Second, to the payment to each Secured Party of the amount then owing or unpaid on such Secured Party's Note, and in case such proceeds shall be insufficient to pay in full the whole amounts so due, owing or unpaid upon all of the Notes issued to Secured Parties, then to the payment to each Secured Party of its Pro Rata Share (as defined below) of the amount remaining to be distributed (to be applied first to accrued interest and second to outstanding principal) pursuant to the Notes; and

(c) Third, to the payment of the surplus, if any, to Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

For purposes of this Security Agreement, the term "Pro Rata Share" shall mean, when calculating a Secured Party's portion of any distribution or amount, that distribution or amount (expressed as a percentage) equal to a fraction (A) the numerator of which is the then outstanding principal amount of such Secured Party's Note and (B) the denominator of which is the then aggregate outstanding principal amount of all Notes. In the event that a Secured Party receives payments or distributions in excess of her Pro Rata Share, then such Secured Party shall hold in trust all such excess payments or distributions for the benefit of the other Secured Parties and shall pay such amounts held in trust to such other Secured Parties upon demand by such Secured Parties.

9. Subordination. Notwithstanding anything to the contrary contained herein, each of the Notes and all other Obligations are and shall be junior and subordinate in right of payment and in respect of lien priority to the Existing Notes and all other Existing Obligations.

10. Miscellaneous.

(a) Notices. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon Debtor or Secured Parties under this Security Agreement shall be in writing and faxed, mailed or delivered to each party to the facsimile number or its address set forth on the signature page hereof (or to such other facsimile number or address as the recipient of any notice shall have notified the other in writing). All such notices and communications shall be effective (i) when sent by Federal Express or other overnight service of recognized standing, on the business day following the deposit with such service; (ii) when mailed First Class Mail and addressed as aforesaid through the United States Postal Service, upon receipt; (iii) when delivered by hand, upon delivery; and (iv) when faxed, two (2) business days after the delivering party's confirmation of completed facsimile transmission.

(b) Nonwaiver. No failure or delay on the part of Secured Parties in exercising any of their rights hereunder shall operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right.

(c) Amendments and Waivers. This Security Agreement may not be amended or modified, nor may any of its terms be waived, except by written instruments signed by Debtor and Secured Parties. Each waiver or consent under any provision hereof shall be effective only in the specific instances for the purpose for which given.

(d) Assignments. This Security Agreement shall be binding upon and inure to the benefit of Secured Parties and Debtor and their respective successors and assigns and may not be assigned, delegated, or otherwise transferred (whether by merger, consolidation, or other business combination) without the consent of Secured Parties and Debtor.

(e) Cumulative Rights. The rights, powers and remedies of Secured Parties under this Security Agreement and the Notes shall be in addition to all rights, powers and remedies given to Secured Parties by virtue of any applicable law, rule or regulation of any governmental authority, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing Secured Parties' rights hereunder. Debtor waives any right to require Secured Parties to proceed against any person or entity or to exhaust any Collateral or to pursue any remedy in Secured Parties' power.

(f) Payments Free of Taxes. All payments made by Debtor under the Notes shall be made by Debtor free and clear of and without deduction for any and all present and future taxes, levies, charges, deductions and withholdings. In addition, Debtor shall pay upon demand any stamp or other taxes, levies or charges of any jurisdiction with respect to the execution, delivery, registration, performance and enforcement of this Security Agreement. Upon request by a Secured Party, Debtor shall furnish evidence satisfactory to such Secured Party that all requisite authorizations and approvals by, and notices to and filings with, governmental authorities and regulatory bodies have been obtained and made and that all requisite taxes, levies and charges have been paid.

(g) Partial Invalidity. If at any time any provision of this Security Agreement is or becomes illegal, invalid or unenforceable in any respect under the law or any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Security Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

(h) Expenses. Debtor shall pay on demand all reasonable fees and expenses, including reasonable attorneys' fees and expenses, incurred by Secured Parties in connection with the custody, preservation or sale of, or other realization on, any of the Collateral or the enforcement or attempt to enforce any of the Obligations which is not performed as and when required by this Security Agreement.

(i) Construction. Each of this Security Agreement, the Redemption Agreements and the Notes are the result of negotiations among, and has been reviewed by, Debtor, Secured Parties and their respective counsel. Accordingly, this Security Agreement, the Redemption Agreements and the Notes shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against Debtor or Secured Parties.

(j) Entire Agreement. This Security Agreement taken together with the Notes constitute and contain the entire agreement of Debtor and Secured Parties and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

(k) Other Interpretive Provisions. References in this Security Agreement and each of the Notes to any document, instrument or agreement (i) includes all exhibits, schedules and other attachments thereto, (ii) includes all documents, instruments or

agreements issued or executed in replacement thereof, and (ii) means such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Security Agreement or any Note refer to this Security Agreement or such Note, as the case may be, as a whole and not to any particular provision of this Security Agreement or such Note, as the case may be. The words "include" and "including" and words of similar import when used in this Security Agreement or any Note shall not be construed to be limiting or exclusive.

(l) Governing Law. This Security Agreement is and shall be deemed to be a contract entered into and made pursuant to the laws of the State of Utah (regardless of Utah's conflict of law principles or the residence, location, domicile, place of formation or place of business of Debtor or its constituent principals) and shall in all respects be governed, construed, applied and enforced in accordance with the laws of Utah. DEBTOR EXPRESSLY ACKNOWLEDGES AND AGREES THAT ANY ACTION TO ENFORCE ANY RIGHT OF SECURED PARTIES UNDER THIS SECURITY AGREEMENT MAY BE BROUGHT AND MAINTAINED IN SALT LAKE COUNTY, STATE OF UTAH; AND SUBMITS TO THE PROCESS, JURISDICTION AND VENUE OF THE STATE AND FEDERAL COURTS IN SALT LAKE COUNTY, UTAH. DEBTOR WAIVES, AND AGREES NOT TO ASSERT, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO SUCH JURISDICTION IN SALT LAKE COUNTY IN THE STATE OF UTAH OR THAT ANY ACTION OR OTHER PROCEEDING BROUGHT IN COMPLIANCE WITH THIS SECTION IS BROUGHT IN AN INCONVENIENT FORUM. DEBTOR ALSO WAIVES THE RIGHT TO PROTEST THE DOMESTICATION OR COLLECTION OF ANY JUDGMENT OBTAINED AGAINST DEBTOR WITH RESPECT TO THIS SECURITY AGREEMENT IN ANY JURISDICTION WHERE DEBTOR MAY NOW OR HEREAFTER MAINTAIN ASSETS OR BE REGISTERED OR QUALIFIED TO DO BUSINESS.

DEBTOR AND SECURED PARTIES HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) BETWEEN DEBTOR AND ANY SECURED PARTY ARISING OUT OF OR IN ANY WAY RELATED TO THIS SECURITY AGREEMENT, OR ANY RELATIONSHIP BETWEEN DEBTOR AND ANY SECURED PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT TO SECURED PARTIES TO PROVIDE THE EXTENSION OF CREDIT DESCRIBED HEREIN.

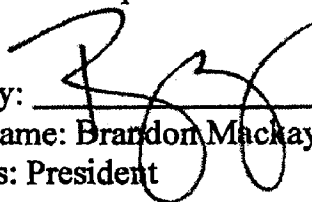
(m) Counterparts. This Security Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall be deemed to constitute one instrument.

[Signature page follows]

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be executed as of the day and year first above written.

DEBTOR:

SNUGZ/USA INCORPORATED
a Utah corporation

By: 
Name: Brandon Mackay
Its: President

Address: 5200 South Highland Drive
Suite 301
Salt Lake City, Utah 84117
Attention: President
Fax: (801) 278-3370

With a copy to:

Snell & Wilmer L.L.P.
15 W. South Temple, Suite 1200
Salt Lake City, Utah 84101
Attention: John G. Weston, Esq.
Fax: (801) 257-1800

SECURED PARTIES:

ANGEL:

Shirley Angel

Address: 4688 Edwin Circle
Salt Lake City, Utah 84117

With a copy to:

Jensen, Duffin, Dibb & Jackson
311 South State Street, Suite 380
Salt Lake City, Utah 84111
Attention: Julian D. Jensen, Esq.
Fax: (801) 521-3731

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be executed as of the day and year first above written.

DEBTOR:

SNUGZ/USA INCORPORATED
a Utah corporation

By: _____
Name: Brandon Mackay
Its: President

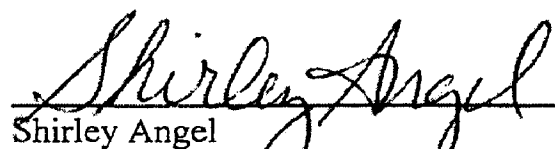
Address: 5200 South Highland Drive
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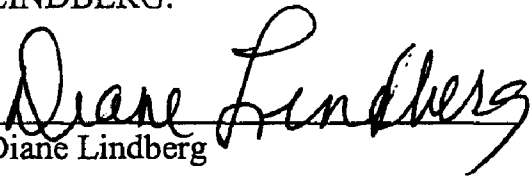

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With a copy to:

Jensen, Duffin, Dibb & Jackson
311 South State Street, Suite 380
Salt Lake City, Utah 84111
Attention: Julian D. Jensen, Esq.
Fax: (801) 521-3731

LINDBERG:


Diane Lindberg

Address: 2797 Pineview Drive
Salt Lake City, Utah 84121

With a copy to:

Cohne Rappaport and Segal
257 East 200 South, Suite 700
Salt Lake City, Utah 84111
Attention: Bud Headman, Esq.
Fax: (801) 355-1813

EXHIBIT A
INTELLECTUAL PROPERTY

[SEE ATTACHED]

TRADEMARK APPLICATIONS AND REGISTRATIONS OWNED BY SNUGZ/USA INCORPORATED
(Updated 11/19/08)

Workman Nydegger Law Firm Docket No.	Trademark	Country	Filing Date	Serial Number	Registration Number	Date Registered
14591.17	SNUGZ (Eyeglass retainers)	United States	February 27, 1990	74/033,776	1,664,758	November 19, 1991
14591.17a	SNUGZ	Canada	July 14, 1999	1211297	TMA548,402	July 19, 2001
14591.19	SNUGZ (Trademark)	United States	January 7, 2005	78/544,112	Pending	Pending
14591.19a	SNUGZ (Trademark)	Canada	May 27, 2005	1,259,195	Pending	Pending
14591.20	SZ (design)	United States	February 5, 1990	74/025,647	1,619,677	October 30, 1990
14591.21	SNUGZ (Design)	United States	February 27, 1990	74/033,774	1,676,604	February 25, 1992
14591.21a	SNUGZ & (Design)	Canada	July 14, 1999	1022440	TMA549,020	July 31, 2001
14591.22a	SNUGZ CANADA	Canada	July 14, 1999	1022439	TMA543,865	April 18, 2001

Workman Nydegger Law Firm Docket No.	Trademark	Country	Filing Date	Serial Number	Registration Number	Date Registered
14591.23	SNUGZ CANADA (Design)	Canada	May 26, 2005	1259017	Pending	Pending
14591.40	PAY IT FORWARD	United States	June 29, 2007	77/218779	Pending	Pending
14591.41	Z- COLLECTION	United States	April 1, 2008	77/437281	3,527,226	November 4, 2008
14591.43	PAY IT FORWARD (Bracelets)	United States	March 17, 2008	77/423653	3,519,800	October 21, 2008
14591.44	SOLUTIONZ	United States	April 2, 2008	77/437806	3,527,259	November 4, 2008
14591.45	IMPRESSIONZ	United States	April 2, 2008	77/437758	3,527,253	November 4, 2008
14591.46	LANYARDZ	United States	April 2, 2008	77/437846	Pending	Pending
14591.47	PRODUCTZ	United States	April 2, 2008	77/438027	Pending	Pending
14591.48	SNUGZ USA (word mark)	United States	April 1, 2008	77/437166	3,527,219	November 4, 2008
14591.48a	SNUGZ USA (word mark)	Canada	August 14, 2008	1407280	Pending	Pending
14591.49	SNUGZ (service mark)	United States	April 1, 2008	77/437239	3,530,532	November 11, 2008
14591.49a	SNUGZ (service mark)	Canada	August 14, 2008	1407273	Pending	Pending
14591.53	SNUGZ USA (design logo)	United States	November 18, 2008	77/616813	Pending	Pending
14591.56	SZ (design logo)	United States	November 18, 2008	77/616948	Pending	Pending

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PATENTS AND PENDING PATENT APPLICATIONS OWNED BY SNUGZ/USA INCORPORATED
 (Updated November 19, 2008)

Workman Nydegger Law Firm Docket Number	Type	Country	Patent Number	Serial Number	Title	Filing Date	Date Patent Issued
14591.2	Issued Patent	United States	Des. 422,142	29/105,931	LANYARD CONNECTOR	June 4, 1999	April 4, 2000
14591.2.1.1.1	Issued Patent	United States	6,711,785 B1	09/931,658	LANYARD CONNECTOR AND SYSTEM	August 16, 2001	March 30, 2004
14591.2.1.1.1.1	Issued Patent	United States	Des. 507,110	29/201,485	LANYARD CONNECTOR	March 16, 2004	July 12, 2005
14591.2.1.1.1.1.1	Issued Patent	United States	Des. 520,241	29/201,442	BUCKLE PORTION	March 16, 2004	May 9, 2006
14591.2.1.1.1.1.1.1	Issued Patent	United States	Des. 536,173	29/259,457	LANYARD CONDUCTOR SURFACE	May 8, 2006	Feb 6, 2007
14591.3	Issued Patent	United States	Des. 426,063	29/105,930	LANYARD CONNECTOR	June 4, 1999	June 6, 2000

Workman Nydegger Law Firm Docket Number	Type	Country	Patent Number	Serial Number	Title	Filing Date	Date Patent Issued
14591.4	Issued Patent	United States	Des. 420,800	29/105,855	CLIP	June 4, 1999	Feb. 22, 2000
14591.7	Issued Patent	United States	Des. 437,485	29/106,139	LANYARD CONNECTOR	June 9, 1999	Feb. 13, 2001
14591.11	Issued Patent	United States	6,942,619	09/998,145	EYEGLOSS RETAINER WITH DUAL USE CONNECTORS	Nov. 30, 2001	Sep. 13, 2005
14591.14	Issued Patent	United States	Des. 539,697	29/211,800	LANYARD CONNECTOR	August 20, 2004	Apr. 3, 2007
14591.15	Patent Application	United States	Pending	10/956,388	HOLDING SLEEVE SYSTEM	October 1, 2004	Pending

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