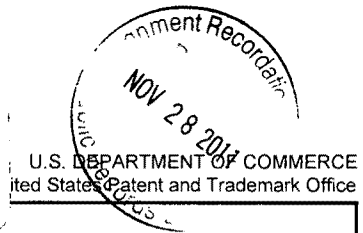


11/28/2011



Form PTO-1594 (Rev. 03-11)  
OMB Collection 0651-0027 (exp. 03/31)



103637448

**TRADEMARKS ONLY**

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

**1. Name of conveying party(ies):**

Hillsdale Furniture, LLC

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

Citizenship (see guidelines) Delaware

Additional names of conveying parties attached?  Yes  No

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

Additional names, addresses, or citizenship attached?  Yes  No

Name: Bank of America, N.A.

Internal

Address: \_\_\_\_\_

Street Address: 414 Union Street

City: Nashville

State: TN

Country: United States of America Zip: 37219

- Association Citizenship \_\_\_\_\_
- General Partnership Citizenship \_\_\_\_\_
- Limited Partnership Citizenship \_\_\_\_\_
- Corporation Citizenship \_\_\_\_\_

Other National Bank Citizenship North Carolina

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)

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

Execution Date(s) September 27, 2011

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

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

A. Trademark Application No.(s)

75515435 75540482 78596383  
78405852 75758146 77211891

B. Trademark Registration No.(s)

2269006 2290129 3464005 3110187 2451996  
3632072

Additional sheet(s) attached?  Yes  No

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

Hillsdale | Hillstreet | America's Great Room | Hill-a-Matic | Fashionable Function  
Hillsdale Furniture, LLC and Fleur de Lis

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

Name: Neal & Harwell, PLC Attn: Stephen M. Montgomery

Internal Address: \_\_\_\_\_

Street Address: 150 Fourth Avenue North, Suite 2000

City: Nashville

State: TN Zip: 37219

Phone Number: (615) 244-1713

Fax Number: (615) 726-0573

Email Address: smontgomery@nealharwell.com

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

6

**7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 165.00**

- Authorized to be charged to deposit account
- Enclosed

**8. Payment Information:**

Deposit Account Number BTIBERL 00000009 75515435

Authorized User Name: \_\_\_\_\_

02 FC:8522

11/21/11

Date

**9. Signature:**

Stephen M. Montgomery

Name of Person Signing

Total number of pages including cover sheet, attachments, and document: **24**

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

## SECURITY AGREEMENT

**THIS SECURITY AGREEMENT** (as amended, restated or supplemented from time to time, this "Agreement") dated the 27<sup>th</sup> day of September, 2011, by and between Bank of America, N.A., whose address is 414 Union Street, Nashville, Tennessee 37219 (hereinafter called "Bank" or "Secured Party") and Hillsdale Furniture LLC, a Delaware limited liability company, whose address is 3901 Bishop Lane, Louisville, Kentucky 40218 (hereinafter called "Debtor" or "Pledgor").

### WITNESSETH:

**WHEREAS**, concurrent herewith, Bank and Debtor are entering into that certain Loan Agreement pursuant to which Bank has provided certain credit facilities to Debtor as more particularly described therein (as amended, restated or supplemented from time to time, "Loan Agreement"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement; and

**WHEREAS**, Debtor previously entered into that certain Loan and Security Agreement dated October 15, 2003 with LaSalle Business Credit, LLC ("Prior Loan and Security Agreement"); and

**WHEREAS**, Debtor granted a security interest in certain of its property under the terms of the prior Loan and Security Agreement in favor of LaSalle Business Credit, LLC and that grant of a security interest was perfected by the filing of a UCC Financing Statement with the Delaware Secretary of State as Initial Filing Number 32704727 ("UCC Financing Statement"); and

**WHEREAS**, Debtor entered into that certain Trademark Collateral Security Agreement dated October 15, 2003 in favor of LaSalle Business Credit, LLC filed with the US Patent and Trademark Office as Reel / Frame 2849 / 0117 ("Trademark Security Agreement") and that certain Copyright Security Agreement dated October 15, 2003 in favor of LaSalle Business Credit, LLC filed with the US Copyright Office in Volume 3504, Document Number 505 ("Copyright Security Agreement"); and

**WHEREAS**, Bank is the successor to LaSalle Business Credit, LLC; and

**WHEREAS**, Bank and Debtor have agreed to enter into this Agreement for the purpose of granting to Bank a security interest in the Collateral as defined herein; and

**WHEREAS**, Bank and Debtor have agreed to amend and restate the prior grant of a security interest in favor of Bank as successor to LaSalle Business Credit, LLC provided under the Prior Loan and Security Agreement, the Trademark Security Agreement and the Copyright Security Agreement by and through this Agreement and for purposes of perfection, Bank and Debtor have agreed that any security interest, assignment and/or lien previously perfected by the UCC Financing Statement, the Trademark Security Agreement, and the Copyright Security Agreement will remain perfected subject to the terms of this Agreement. In the event of any conflict between this Agreement and the grant of the security interest provided in the Prior Loan and Security Agreement, the Trademark Security Agreement and the Copyright Security Agreement, this Agreement will control.

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1. **Security Interest.** For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Debtor/Pledgor (hereinafter referred to as "Debtor") assigns and grants to Bank (also known as "Secured Party"), a security interest and lien in the Collateral (hereinafter defined) to secure the payment and the performance of the Obligation (hereinafter defined).

2. **Collateral.** A security interest is granted in the following collateral described in this Item 2 (the "Collateral"):

A. **Types of Collateral:**

i. **Accounts.** Any and all accounts and other rights of Debtor to the payment of money, whether or not earned by performance, for goods or property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, for services rendered or to be rendered, or arising out of the use of a credit or charge card, including, without limitation, contract rights, book debts, checks, notes, drafts, acceptances, health-care insurance receivables, insurance policies, secondary obligations and any and all amounts due to Debtor from a factor or other forms of obligations and receivables, now existing or hereafter arising.

ii. **Inventory.** Any and all of Debtor's goods held as inventory, whether now owned or hereafter acquired, including without limitation, any and all such goods held for sale or lease or being processed for sale or lease in Debtor's business, as now or hereafter conducted, including all materials, goods and work in process, finished goods and other tangible property held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in Debtor's business, along with all documents (including documents of title) covering such inventory.

iii. **Equipment.** Any and all of Debtor's goods held as equipment, including, without limitation, all machinery, tools, dies, furnishings, or fixtures, wherever located, whether now owned or hereafter acquired, together with all increases, parts, fittings, accessories, equipment, and special tools now or hereafter affixed to any part thereof or used in connection therewith.

iv. **Fixtures.** Any and all of Debtor's goods held as fixtures, whether now existing or hereafter acquired.

v. **Instruments, Investment Documents, and/or Documents.** Any and all of Debtor's instruments, investment documents, documents or other writings of any type, which evidence a right to the payment of money and which are of a type that is transferred in the ordinary course of business by delivery with any necessary indorsement or assignment, whether now owned or hereafter acquired, including, without limitation, negotiable instruments, promissory notes, and documents of title owned or to be owned by Debtor, certificates of deposit, and all liens on real or personal property, security agreements, leases and other contracts securing or otherwise relating to any of said instruments or documents.

vi. **Chattel Paper.** Any and all of Debtor's chattel paper both tangible and electronic, whether now owned or hereafter acquired.

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**vii. Investment Property.** Any and all of Debtor's investment property whether now owned or hereafter acquired, including, without limitation, all securities, whether certificated or uncertificated, security entitlements, securities accounts, commodity contracts, or commodity accounts.

**viii. General Intangibles.** Any and all of Debtor's general intangible property, whether now owned or hereafter acquired by Debtor or used in Debtor's business currently or hereafter, including, without limitation, all patents, and all unpatented or unpatentable inventions, trademarks, service marks, trade names, trade secrets, copyrights and exclusive licenses (whether issued or pending) literary rights, contract rights, payment intangibles, software and all documents, applications, materials and other matters related thereto, all inventions, all manufacturing, engineering and production plans, drawings, specifications, processes and systems, all trade names, goodwill and all chattel paper, documents and instruments relating to such general intangibles.

**ix. Supporting Obligations.** Any and all supporting obligations that support payment or performance of an account, chattel paper, documents, general intangibles, instruments, or investment property including, without limitation, letter-of-credit rights and guaranties.

**x. Lien Securing Right to Payment.** Any and all liens securing a right to payment granted or conveyed to or in favor of the Debtor.

**xi. Payments and Payment Rights under Swap Contracts and Hedge Agreements.** Any and all payments to Debtor and payment rights for the benefit of Debtor under swap contracts, hedge agreements, any agreement which provides for an interest rate or commodity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross-currency rate swap, currency option, or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging exposure to fluctuations in interest rates, currency valuations or commodity prices.

**B. Substitutions, Proceeds and Related Items.** Any and all substitutes and replacements for, accessions, attachments and other additions to, tools, parts and equipment now or hereafter added to or used in connection with, and all cash or non-cash proceeds and products of, the Collateral (including, without limitation, all income, benefits and property receivable, received or distributed which results from any of the Collateral, such as dividends payable or distributable in cash, property or stock; insurance distributions of any kind related to the Collateral, including, without limitation, returned premiums, interest, premium and principal payments; redemption proceeds and subscription rights; and shares or other proceeds of conversions or splits of any securities in the Collateral); any and all choses in action and causes of action of Debtor, whether now existing or hereafter arising, relating directly or indirectly to the Collateral (whether arising in contract, tort or otherwise and whether or not currently in litigation); all certificates of title, manufacturer's statements of origin, other documents, accounts and chattel paper, whether now existing or hereafter arising directly or indirectly from or related to the Collateral; all warranties, wrapping, packaging, advertising and shipping materials used or to be used in connection with or related to the Collateral; all of Debtor's books, records, data, plans, manuals, computer software, computer tapes, computer systems, computer disks, computer programs, source codes and object codes containing any information, pertaining directly or indirectly to the Collateral and all rights of Debtor to retrieve data and other information pertaining directly or indirectly to the Collateral from third parties, whether now

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existing or hereafter arising; and all returned, refused, stopped in transit, or repossessed Collateral, any of which, if received by Debtor, upon request shall be delivered immediately to Bank.

**C. Balances and Other Property.** The balance of every deposit account of Debtor maintained with Bank or any other lender and any other claim of Debtor against Bank, now or hereafter existing, liquidated or unliquidated, and all money, instruments, payments and payment rights under swap contracts and hedge agreements, securities, letter-of-credit rights, letters-of-credit, investment property, documents, chattel paper, electronic chattel paper, credits, claims, demands, income, and any other property, rights and interests of Debtor which at any time shall come into the possession or custody or under the control of Bank or any of its agents or affiliates for any purpose, and the proceeds of any thereof. Bank shall be deemed to have possession of any of the Collateral in transit to or set apart for it or any of its agents or affiliates.

**D. Excluded Assets.** Notwithstanding anything to the contrary contained herein, the security interest granted under this Agreement shall not extend to (and such property shall not constitute Collateral) (the following "Excluded Assets"): (a) any property that is the subject of a lien securing purchase money indebtedness permitted under the Loan Agreement pursuant to documents that prohibit Debtor from granting any other liens in such property, and (b) would result in the forfeiture of Debtor's rights in any trademark applications filed in the United States Patent and Trademark Office on the basis of Debtor's "intent-to-use" such trademark, unless and until acceptable evidence of use of the trademark has been filed with and accepted by the United States Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (15 U.S.C. 1051, et seq.), to the extent that granting a lien in such trademark application prior to such filing would adversely affect the enforceability or validity of such trademark application; provided that (i) any such limitation described in the foregoing clauses (a) and (b), on the security interests granted hereunder shall only apply to the extent that any such prohibition could not be rendered ineffective pursuant to the UCC or any other applicable law (including the Code and Sections 9-406, 9-407, 9-408 and 9-409 of the UCC) or principles of equity (ii) in the event of the termination or elimination of any such prohibition or the requirement for any consent contained in such lease or license or in any applicable law, to the extent sufficient to permit any such item to become Collateral hereunder, or upon the granting of any such consent, or waiving or terminating any requirement for such consent, a security interest in such Contract shall be automatically and simultaneously granted hereunder and shall be included as Collateral hereunder, and (iii) notwithstanding the limitations set forth in the foregoing clauses (a) and (b) the proceeds associated therewith shall continue to constitute Collateral. Notwithstanding anything contained herein to the contrary, (x) except as otherwise provided for in this Agreement, Debtor shall not be required to take any action intended to cause any Excluded Asset to constitute Collateral, (y) each defined term used in describing types or categories of Collateral shall be deemed to exclude all Excluded Assets and (z) none of the representations, warranties and covenants shall be deemed to apply to any assets constituting Excluded Assets.

**3. Description of Obligation(s).** The following obligations ("Obligation" or "Obligations") are secured by this Agreement: (a) All debts, obligations, liabilities and agreements of Debtor to Bank, now or hereafter existing, arising directly or indirectly out of the Loan Agreement between Debtor and Bank whether absolute or contingent, joint or several, secured or unsecured, due or not due, contractual or tortious, liquidated or unliquidated, arising by operation of law or otherwise, and all renewals, extensions or rearrangement of any of the above; (b) All costs incurred by Bank to obtain, preserve, perfect and enforce this Agreement and maintain, preserve, collect and realize upon the Collateral; (c) All obligations arising under or in connection with any Hedge Agreement (as used

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herein, "Hedge Agreement" means any agreement between Debtor and Bank or any affiliate of Bank now existing or hereafter entered into, which provides for an interest rate or commodity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross-currency rate swap, currency option, or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging Debtor's exposure to fluctuations in interest rates, currency valuations or commodity prices); (d) All other costs and attorney's fees incurred by Bank, for which Debtor is obligated to reimburse Bank in accordance with the terms of the Loan Documents (hereinafter defined), together with interest at the Default Rate (as defined in the Notes); and (e) All amounts which may be owed to Bank pursuant to all other Loan Documents executed between Bank and any other Debtor. If Debtor is not the obligor of the Obligation, and in the event any amount paid to Bank on any Obligation is subsequently recovered from Bank in or as a result of any bankruptcy, insolvency or fraudulent conveyance proceeding, Debtor shall be liable to Bank for the amounts so recovered up to the fair market value of the Collateral whether or not the Collateral has been released or the security interest terminated. In the event the Collateral has been released or the security interest terminated, the fair market value of the Collateral shall be determined, at Bank's option, as of the date the Collateral was released, the security interest terminated, or said amounts were recovered.

4. **Debtor's Warranties.** Debtor hereby represents and warrants to Bank as follows:

**A. Financing Statements.** Except as may be noted by schedule attached hereto and incorporated herein by reference, no financing statement covering the Collateral is or will be on file in any public office, except the financing statements relating to this security interest and other Permitted Liens, and no security interest, other than the one herein created, has attached or been perfected in the Collateral or any part thereof other than Permitted Liens.

**B. Ownership.** Debtor owns, or will use the proceeds of the Loans to become the owner of, the Collateral free from any setoff, claim, restriction, lien, security interest or encumbrance except liens for taxes not yet due and the security interest hereunder and other Permitted Liens.

**C. Fixtures and Accessions.** None of the Collateral is affixed to real estate or is an accession to any goods, or will become a fixture or accession, except as expressly set out herein.

**D. Environmental Compliance.** The conduct of Debtor's business operations and the condition of Debtor's property complies in all material respect with all federal laws, rules or ordinances for environmental protection, regulations of the Environmental Protection Agency and any applicable local or state law, rule, regulation or rule of common law and any judicial interpretation thereof relating primarily to the environment or any materials defined as hazardous materials or substances under any local, state or federal environmental laws, rules or regulations, and petroleum, petroleum products, oil and asbestos ("Hazardous Materials").

**E. Power and Authority.** Debtor has full power and authority to make this Agreement, and all necessary consents and approvals of any persons, entities, governmental or regulatory authorities and securities exchanges have been obtained to effectuate the validity of this Agreement.

**F. State of Incorporation and Name of Debtor.** Debtor's state of organization or incorporation is Delaware; and Debtor's exact legal name is as set forth in the first paragraph of this Agreement.

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**G. Intellectual Property.** Schedule G to this Agreement is a complete list of all patents, trademark and service mark registrations, copyright registrations, mask work registrations, and all applications therefor, in which the Debtor has any right, title, or interest, throughout the world. The Debtor will promptly notify the Bank of any acquisition (by adoption and use, purchase, license or otherwise) of any patent, trademark or service mark registration, copyright registration, mask work registration, and applications therefor, and unregistered trademarks and service marks and copyrights, throughout the world, which are granted or filed or acquired after the date hereof or which are not listed on Schedule G. The Debtor authorizes the Bank, without notice to the Debtor, to modify this Agreement by amending Schedule G to include any such Collateral.

**5. Debtor's Covenants.** Until full payment and performance of all of the Obligation and termination or expiration of any obligation or commitment of Bank to make advances or loans to Debtor, unless Bank otherwise consents in writing:

**A. Obligation and This Agreement.** Debtor shall perform all of its agreements herein and in any other agreements between it and Bank.

**B. Ownership and Maintenance of the Collateral.** Debtor shall keep all tangible Collateral in good condition. To the extent commercially reasonable, Debtor shall defend the Collateral against all claims and demands of all persons at any time claiming any interest therein adverse to Bank. Debtor shall keep the Collateral free from all liens and security interests except those for taxes not yet due and the security interest hereby created and other Permitted Liens.

**C. Insurance.** Debtor shall insure the Collateral with companies reasonably acceptable to Bank. Such insurance shall be in an amount not less than the fair market value of the Collateral and shall be against such casualties, with such deductible amounts as Bank shall approve. All insurance policies shall be written for the benefit of Debtor and Bank as their interests may appear, payable to Bank as loss payee, or in other form satisfactory to Bank, and such policies or certificates evidencing the same shall be furnished to Bank. All policies of insurance shall provide for written notice to Bank at least thirty (30) days prior to cancellation. Risk of loss or damage is Debtor's to the extent of any deficiency in any effective insurance coverage.

**D. Bank's Costs.** Debtor shall pay all costs necessary to obtain, preserve, perfect, defend and enforce the security interest created by this Agreement, collect the Obligation, and preserve, defend, enforce and collect the Collateral, including but not limited to taxes, assessments, insurance premiums, repairs, rent, storage costs and expenses of sales, legal expenses, reasonable attorney's fees and other fees or expenses for which Debtor is obligated to reimburse Bank in accordance with the terms of the Loan Documents. Whether the Collateral is or is not in Bank's possession, and without any obligation to do so and without waiving Debtor's default for failure to make any such payment, Bank at its option may pay any such costs and expenses, discharge encumbrances on the Collateral, and pay for insurance of the Collateral, and such payments shall be a part of the Obligation and bear interest at the rate set out in the Obligation. Debtor agrees to reimburse Bank on demand for any costs so incurred.

**E. Information and Inspection.** Debtor shall (i) promptly furnish Bank any information with respect

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to the Collateral reasonably requested by Bank; (ii) allow Bank or its representatives, at reasonable times and at reasonable intervals but in all events as provided in the Loan Agreement, to inspect the Collateral, wherever located so long as Debtor is not in Default under this Agreement or the Loan Agreement, and to inspect and copy, or furnish Bank or its representatives with copies of, all records relating to the Collateral and the Obligation; (iii) allow Bank or its representatives to inspect the Collateral, at any time and wherever located in the event Debtor is in Default under this Agreement or the Loan Agreement, and to inspect and copy, or furnish Bank or its representatives with copies of, all records relating to the Collateral and the Obligation; (iv) promptly furnish Bank or its representatives such information as Bank may reasonably request to identify the Collateral, at the time and in the form requested by Bank; and (v) deliver upon request to Bank shipping and delivery receipts evidencing the shipment of goods and invoices evidencing the receipt of, and the payment for, the Collateral.

**F. Additional Documents.** Debtor shall sign and deliver any papers deemed necessary or desirable in the judgment of Bank to obtain, maintain, and perfect the security interest hereunder and to enable Bank to comply with any federal or state law in order to obtain or perfect Bank's interest in the Collateral or to obtain proceeds of the Collateral.

**G. Parties Liable on the Collateral.** Debtor shall preserve the liability of all obligors on any Collateral, shall preserve the priority of all security therefor. Bank shall have no duty to preserve such liability or security, but may do so at the expense of Debtor, without waiving Debtor's default.

**H. Records of the Collateral.** Debtor at all times shall maintain accurate books and records covering the Collateral. Debtor immediately will mark all books and records with an entry showing the collateral assignment of all Collateral to Bank, and Bank is hereby given the right to audit the books and records of Debtor relating to the Collateral in accordance with the terms of the Loan Agreement. The amounts shown as owed to Debtor on Debtor's books and on any assignment schedule will be, to the best of Debtor's knowledge, the undisputed amounts owing and unpaid.

**I. Disposition of the Collateral.** If disposition of any Collateral gives rise to an account, chattel paper or instrument, Debtor immediately shall notify Bank, and upon request of Bank shall assign or indorse the same to Bank. No Collateral may be sold, leased, licensed or otherwise disposed of by Debtor in any manner without the prior written consent of Bank, except the Collateral sold, leased, licensed or otherwise disposed of in the ordinary course of business including the disposal of obsolete, damaged, uneconomic or worn-out assets no longer useful in Borrower's business.

**J. Accounts.** Each account held as Collateral will represent the valid and legally enforceable obligation of third parties and shall not be evidenced by any instrument or chattel paper.

**K. Notice/Location of the Collateral.** Debtor shall give Bank written notice of each office of Debtor in which records of Debtor pertaining to accounts held as Collateral are kept, and each location at which the Collateral is or will be kept, and of any change of any such location. If no such notice is given, all records of Debtor pertaining to the Collateral and all Collateral of Debtor are and shall be kept at the address marked by Debtor above.



**L. Change of Name/Status and Notice of Changes.** Without the written consent of Bank (such consent not to be unreasonably withheld), Debtor shall not change its name, change its corporate or organizational status, change its state of organization, use any trade name or engage in any business not reasonably related to its business as presently conducted. Debtor shall notify Bank immediately of (i) any material change in the Collateral, (ii) a change in Debtor's residence or location, (iii) a change in any matter warranted or represented by Debtor in this Agreement, or in any of the Loan Documents or furnished to Bank pursuant to this Agreement, and (iv) the occurrence of an Event of Default (hereinafter defined).

**M. Use and Removal of the Collateral.** Debtor shall not use the Collateral illegally. Debtor shall not, unless previously indicated as a fixture, permit the Collateral to be affixed to real or personal property without the prior written consent of Bank. Debtor shall not permit any of the Collateral to be removed from the locations specified herein without the prior written consent of Bank, except for the sale of inventory in the ordinary course of business and the disposal of obsolete, damaged, uneconomic or worn-out assets no longer useful in Borrower's business.

**N. Possession of the Collateral.** Debtor shall deliver all investment property and other instruments, documents, letters-of-credit and chattel paper which are part of the Collateral and in Debtor's possession to Bank immediately, or if hereafter acquired, immediately following acquisition, appropriately indorsed to Bank's order, or with appropriate, duly executed powers. Debtor waives presentment, notice of acceleration, demand, notice of dishonor, protest, and all other notices with respect thereto.

Where Collateral is in the possession of a third party, Debtor will join with Bank in notifying the third party of the Bank's security interest and lien in obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Bank and subject to the terms set forth herein. Debtor shall also cooperate with Bank in obtaining control of any Collateral

**O. Consumer Credit.** If any Collateral or proceeds includes obligations of third parties to Debtor, the transactions giving rise to the Collateral shall conform in all material respects to the applicable state or federal law including but not limited to consumer credit law. Debtor shall hold harmless and indemnify Bank against any cost, loss or expense arising from Debtor's breach of this covenant.

**P. Power of Attorney.** Debtor appoints Bank and any officer thereof as Debtor's attorney-in-fact with full power in Debtor's name and behalf to do every act which Debtor is obligated to do or may be required to do hereunder; however, nothing in this paragraph shall be construed to obligate Bank to take any action hereunder nor shall Bank be liable to Debtor for failure to take any action hereunder. This appointment shall be deemed a power coupled with an interest and shall not be terminable as long as the Obligation is outstanding and shall not terminate on the disability or incompetence of Debtor.

**Q. Waivers by Debtor.** Debtor waives notice of the creation, advance, increase, existence, extension or renewal of, and of any indulgence with respect to, the Obligation; waives presentment, demand, notice of dishonor, and protest; waives notice of the amount of the Obligation outstanding at any time, notice of any change in financial condition of any person liable for the Obligation or any part thereof, notice of any Event of Default (except as otherwise required by the Loan Documents), and all other notices respecting the Obligation; and agrees

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that maturity of the Obligation and any part thereof may be accelerated, extended or renewed one or more times by Bank in its discretion, without notice to Debtor; provided, however, that the foregoing waivers do not permit Secured Party to amend the terms of the Loan Documents without the consent of Debtor. Debtor waives any right to require that any action be brought against any other person or to require that resort be had to any other security or to any balance of any deposit account. Debtor further waives any right of subrogation or to enforce any right of action against any other obligor on the Obligation until the Obligation is paid in full.

**R. Other Parties and Other Collateral.** No renewal or extension of or any other indulgence with respect to the Obligation or any part thereof, no release of any security, no release of any person (including any maker, indorser, guarantor or surety) liable on the Obligation, no delay in enforcement of payment, and no delay or omission or lack of diligence or care in exercising any right or power with respect to the Obligation or any security therefor or guaranty thereof or under this Agreement shall in any manner impair or affect the rights of Bank under the law, hereunder, or under any other agreement pertaining to the Collateral. Bank need not file suit or assert a claim for personal judgment against any person for any part of the Obligation or seek to realize upon any other security for the Obligation, before foreclosing or otherwise realizing upon the Collateral. Debtor waives any right to the benefit of or to require or control application of any other security or proceeds thereof, and agrees that Bank shall have no duty or obligation to Debtor to apply to the Obligation any such other security or proceeds thereof.

**S. Collection and Segregation of Accounts and Right to Notify.** Bank hereby authorizes Debtor to collect the Collateral, subject to the direction and control of Bank, but Bank may at any time following and during the continuance of an Event of Default, curtail or terminate said authority at any time. Upon notice by Bank, whether oral or in writing, to Debtor, Debtor shall forthwith upon receipt of all checks, drafts, cash, and other remittances in payment of or on account of the Collateral, deposit the same in one or more special accounts maintained with Bank over which Bank alone shall have the power of withdrawal. The remittance of the proceeds of such Collateral shall not, however, constitute payment or liquidation of such Collateral until Bank shall receive good funds for such proceeds. Funds placed in such special accounts shall be held by Bank as security for all Obligations secured hereunder. These proceeds shall be deposited in precisely the form received, except for the indorsement of Debtor where necessary to permit collection of items, which indorsement Debtor agrees to make, and which indorsement Bank is also hereby authorized, as attorney-in-fact, to make on behalf of Debtor. In the event Bank has notified Debtor to make deposits to a special account, pending such deposit, Debtor agrees that it will not commingle any such checks, drafts, cash or other remittances with any funds or other property of Debtor, but will hold them separate and apart therefrom, and upon an express trust for Bank until deposit thereof is made in the special account. Bank will, from time to time, apply the whole or any part of the Collateral funds on deposit in this special account against such Obligations as are secured hereby as Bank may in its sole discretion elect. At the sole election of Bank, any portion of said funds on deposit in the special account which Bank shall elect not to apply to the Obligations, may be paid over by Bank to Debtor. At any time following and during the continuance of an Event of Default, Bank may notify persons obligated on any Collateral to make payments directly to Bank and Bank may take control of all proceeds of any Collateral and otherwise enforce the Debtor's rights against third parties. Until Bank elects to exercise such rights, Debtor, as agent of Bank, shall collect and enforce all payments owed on the Collateral.

**T. Compliance with State and Federal Laws.** Debtor will maintain its existence, good standing and

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qualification to do business, where required, and comply in all material respects with all laws, regulations and governmental requirements, including without limitation, environmental laws applicable to it or any of its property, business operations and transactions.

**U. Environmental Covenants.** Debtor shall immediately advise Bank in writing of (i) any and all enforcement, cleanup, remedial, removal, or other governmental or regulatory actions instituted, completed or, to the knowledge of Debtor, threatened pursuant to any applicable federal, state, or local laws, ordinances or regulations relating to any Hazardous Materials affecting Debtor's business operations; and (ii) all claims made or, to the knowledge of Debtor, threatened by any third party against Debtor relating to damages, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials. Debtor shall immediately notify Bank of any Hazardous Materials remedial action taken by Debtor with respect to Debtor's business operations. Debtor will not use or permit any other party to use any Hazardous Materials at any of Debtor's places of business or at any other property owned by Debtor except such materials as are incidental to Debtor's normal course of business, maintenance and repairs and which are handled in compliance with all applicable environmental laws. To the extent that Bank has a reasonable belief that Debtor is not complying with this covenants, Debtor agrees to permit Bank, its agents, contractors and employees to enter and inspect any of Debtor's places of business or any other property of Debtor at any reasonable times upon three (3) days prior notice for the purposes of conducting an environmental investigation and audit (including taking physical samples) to insure that Debtor is complying with this covenant and Debtor shall reimburse Bank on demand for the costs of any such environmental investigation and audit. Debtor shall provide Bank, its agents, contractors, employees and representatives with access to and copies of any and all data and documents relating to or dealing with any Hazardous Materials used, generated, manufactured, stored or disposed of by Debtor's business operations within five (5) days of the request therefor.

**V. Intellectual Property Applications and Registrations.** The Debtor will, at its expense, diligently prosecute all patent, trademark or service mark or copyright applications pending on or after the date hereof, will maintain in effect all issued patents and will renew all trademark and service mark registrations, including payment of any and all maintenance and renewal fees relating thereto, unless Debtor determines in the exercise of its reasonable business judgment to abandon rights in certain intellectual property that are no longer useful in Debtor's business. To the extent necessary to the business of Debtor, the Debtor also will promptly make application on any patentable but unpatented inventions, registerable but unregistered trademarks and service marks, and copyrightable but uncopyrighted works. The Debtor will at its expense protect and defend all rights in the Collateral against any material claims and demands of all persons other than the Bank and will, at its expense, enforce all rights in the Collateral against any and all infringers of the Collateral where such infringement would materially impair the value or use of the Collateral to the Debtor or the Bank. The Debtor will not license or transfer any of the Collateral, except for such licenses as are customary in the ordinary course of the Debtor's business, or except with the Bank's prior written consent.

## **6. Rights and Powers of Bank.**

**A. General.** Bank, before or after default, without liability to Debtor, may obtain from any person information regarding Debtor or Debtor's business, which information any such person also may furnish without liability to Debtor. Bank, after and during the continuance of an Event of Default, without liability to Debtor may: require Debtor to give possession or control of any Collateral to Bank; indorse as Debtor's agent any instruments, {Legal\54001\17244\00893077.DOCX}}

documents or chattel paper in the Collateral or representing proceeds of the Collateral; contact account debtors directly to verify information furnished by Debtor; take control of proceeds, including stock received as dividends or by reason of stock splits; release the Collateral in its possession to any Debtor, temporarily or otherwise; require additional Collateral; reject as unsatisfactory any property hereafter offered by Debtor as Collateral; set standards from time to time to govern what may be used as after acquired Collateral; take control of funds generated by the Collateral, such as cash dividends, interest and proceeds or refunds from insurance, and use same to reduce any part of the Obligation and exercise all other rights which an owner of such Collateral may exercise, except the right to vote or dispose of the Collateral before an Event of Default; at any time transfer any of the Collateral or evidence thereof into its own name or that of its nominee; and demand, collect, convert, redeem, receipt for, settle, compromise, adjust, sue for, foreclose or realize upon the Collateral, in its own name or in the name of Debtor, as Bank may determine. Bank shall not be liable for failure to collect any account or instruments, or for any act or omission on the part of Bank, its officers, agents or employees, except for its or their own willful misconduct or gross negligence. The foregoing rights and powers of Bank will be in addition to, and not a limitation upon, any rights and powers of Bank given by law, elsewhere in this Agreement, or otherwise. If Debtor fails to maintain any required insurance, to the extent permitted by applicable law Bank may (but is not obligated to) purchase single interest insurance coverage for the Collateral which insurance may at Bank's option (i) protect only Bank and not provide any remuneration or protection for Debtor directly and (ii) provide coverage only after the Obligation has been declared due as herein provided. The premiums for any such insurance purchased by Bank shall be a part of the Obligation and shall bear interest at the Default Rate.

**B. Convertible Collateral.** Bank may present for conversion any Collateral which is convertible into any other instrument or investment security or a combination thereof with cash, but Bank shall not have any duty to present for conversion any Collateral unless it shall have received from Debtor detailed written instructions to that effect at a time reasonably far in advance of the final conversion date to make such conversion possible.

**C. Financing Statements.** Debtor hereby authorizes Bank to file financing statements, continuation statements, amendments or assignments in any jurisdiction Bank deems appropriate to protect Bank's security interest and lien in the Collateral including, but not limited to, notice filing in jurisdictions other than Debtor's principal place of business or state of organization.

## 7. Default.

**A. Event of Default.** Subject to the notice, grace and cure periods set forth in the Loan Agreement, an event of default ("Event of Default") shall occur if: (i) there is a loss, theft, damage or destruction of any material portion of the Collateral for which there is no insurance coverage or for which, in the opinion of Bank, there is insufficient insurance coverage; (ii) Debtor shall fail to timely and properly pay or observe, keep or perform any term, covenant, agreement or condition in this Agreement; (iii) Debtor shall fail to timely and properly pay or observe, keep or perform any term, covenant, agreement or condition in any lease agreement between Debtor and any lessor pertaining to premises at which a material portion of the Collateral is located or stored and such breach results in the lessor terminating the lease; (iv) Debtor abandons any leased premises at which a material portion of the Collateral is located or stored and the Collateral is either moved without the prior written consent of Bank or the Collateral remains at the abandoned premises; or (v) an Event of Default (as defined in the Loan Agreement) shall occur.

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**B. Rights and Remedies.** If any Event of Default shall occur, then, in each and every such case, Bank may, without presentment, demand, or protest; notice of default, dishonor, demand, non-payment, or protest; notice of intent to accelerate all or any part of the Obligation; notice of acceleration of all or any part of the Obligation; or notice of any other kind, all of which Debtor hereby expressly waives, (except for any notice required under this Agreement, any other Loan Document or applicable law); at any time thereafter exercise and/or enforce any of the following rights and remedies at Bank's option:

**i. Acceleration.** The Obligation shall, at Bank's option, become immediately due and payable, and the obligation, if any, of Bank to permit further borrowings under the Obligation shall at Bank's option immediately cease and terminate.

**ii. Possession and Collection of the Collateral.** At its option: (a) take possession or control of, store, lease, operate, manage, sell, or instruct any Agent or Broker to sell or otherwise dispose of, all or any part of the Collateral; (b) notify all parties under any account or contract right forming all or any part of the Collateral to make any payments otherwise due to Debtor directly to Bank; (c) in Bank's own name, or in the name of Debtor, demand, collect, receive, sue for, and give receipts and releases for, any and all amounts due under such accounts and contract rights; (d) indorse as the agent of Debtor any check, note, chattel paper, documents, or instruments forming all or any part of the Collateral; (e) make formal application for transfer to Bank (or to any assignee of Bank or to any purchaser of any of the Collateral) of all of Debtor's permits, licenses, approvals, agreements, and the like relating to the Collateral or to Debtor's business; (f) take any other action which Bank deems necessary or desirable to protect and realize upon its security interest in the Collateral; and (g) in addition to the foregoing, and not in substitution therefor, exercise any one or more of the rights and remedies exercisable by Bank under any other provision of this Agreement, under any of the other Loan Documents, or as provided by applicable law (including, without limitation, the Uniform Commercial Code as in effect in Tennessee (hereinafter referred to as the "UCC")). In taking possession of the Collateral, Bank may enter Debtor's premises and otherwise proceed without legal process, if this can be done without breach of the peace. Debtor shall, upon Bank's demand, promptly make the Collateral or other security available to Bank at a place designated by Bank, which place shall be reasonably convenient to both parties. Bank shall not be liable for, nor be prejudiced by, any loss, depreciation or other damages to the Collateral, unless caused by Bank's willful and malicious act. Bank shall have no duty to take any action to preserve or collect the Collateral.

**iii. Receiver.** Obtain the appointment of a receiver for all or any of the Collateral, Debtor hereby consenting to the appointment of such a receiver and agreeing not to oppose any such appointment.

**iv. Intellectual Property.** Use or transfer any of the Debtor's rights and interests in any Intellectual Property now owned or hereafter acquired by the Debtor (other than any Excluded Asset), if the Bank deems such use or transfer necessary or advisable in order to take possession of, hold, preserve, process, assemble, prepare for sale or lease, market for sale or lease, sell or lease, or otherwise dispose of, any Collateral. The Debtor agrees that any such use or transfer shall be without any additional consideration to the Debtor. As used in this paragraph, "Intellectual Property" includes, but is not limited to, all trade secrets, computer software, service marks, trademarks, trade names, trade styles, copyrights, patents, applications for any of the foregoing, customer lists, working drawings, instructional manuals, and rights in processes for technical

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manufacturing, packaging and labeling, in which the Debtor has any right or interest, whether by ownership, license, contract or otherwise.

v. **Right of Set Off.** Without notice or demand to Debtor, set off and apply against any and all of the Obligation any and all deposits (general or special, time or demand, provisional or final) and any other indebtedness, at any time held or owing by Bank or any of Bank's agents or affiliates to or for the credit of the account of Debtor or any guarantor or indorser of Debtor's Obligation.

Bank shall be entitled to immediate possession of all books and records evidencing any Collateral or pertaining to chattel paper covered by this Agreement and it or its representatives shall have the authority to enter upon any premises upon which any of the same, or any Collateral, may be situated and remove the same therefrom without liability. Bank may surrender any insurance policies in the Collateral and receive the unearned premium thereon. Debtor shall be entitled to any surplus and shall be liable to Bank for any deficiency. The proceeds of any disposition after default available to satisfy the Obligation shall be applied to the Obligation in such order and in such manner as Bank in its discretion shall decide.

Debtor specifically understands and agrees that any sale by Bank of all or part of the Collateral pursuant to the terms of this Agreement may be effected by Bank at times and in manners which could result in the proceeds of such sale as being significantly and materially less than might have been received if such sale had occurred at different times or in different manners, and Debtor hereby releases Bank and its officers and representatives from and against any and all obligations and liabilities arising out of or related to the timing or manner of any such sale so long as such sale is done in a commercially reasonable manner.

If, in the opinion of Bank, there is any question that a public sale or distribution of any Collateral will violate any state or federal securities law, Bank may offer and sell such Collateral in a transaction exempt from registration under federal securities law, and any such sale made in good faith by Bank shall be deemed "commercially reasonable".

## 8. General.

A. **Parties Bound.** Bank's rights hereunder shall inure to the benefit of its successors and assigns. In the event of any assignment or transfer by Bank of any of the Obligation or the Collateral, Bank thereafter shall be fully discharged from any responsibility with respect to the Collateral so assigned or transferred, but Bank shall retain all rights and powers hereby given with respect to any of the Obligation or the Collateral not so assigned or transferred. All representations, warranties and agreements of Debtor if more than one are joint and several and all shall be binding upon the personal representatives, heirs, successors and assigns of Debtor.

B. **Waiver.** No delay of Bank in exercising any power or right shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right. No waiver by Bank of any right hereunder or of any default by Debtor shall be binding upon Bank unless in writing, and no failure by Bank to exercise any power or right hereunder or waiver of any default by Debtor shall operate as a waiver of any other or further exercise of such right or power or of any further default. Each right, power and remedy of Bank as provided for herein or in any of the Loan Documents, or  
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which shall now or hereafter exist at law or in equity or by statute or otherwise, shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by Bank of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by Bank of any or all other such rights, powers or remedies.

**C. Agreement Continuing.** This Agreement shall constitute a continuing agreement, applying to all future as well as existing transactions under the Loan Agreement and the Loan Documents, whether or not of the character contemplated at the date of this Agreement, and if all transactions between Bank and Debtor shall be closed at any time, shall be equally applicable to any new transactions thereafter under the Loan Agreement and the Loan Documents. Time is of the essence of this Agreement.

**D. Termination.** Until full payment and performance of all of the Obligation and termination or expiration of any obligation or commitment of Bank to make advances or loans to Debtor, the security interests granted under this Agreement 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 and the release of such Collateral, as the case may be.

**E. Definitions.** Unless the context indicates otherwise, definitions in the UCC apply to words and phrases in this Agreement; if UCC definitions conflict, Article 9 definitions apply.

**F. Notices.** Notice shall be deemed reasonable if mailed postage prepaid at least five (5) days before the related action (or if the UCC elsewhere specifies a longer period, such longer period) to the address of Debtor given above, or to such other address as any party may designate by written notice to the other party. Each notice, request and demand shall be deemed given or made, if sent by mail, upon the earlier of the date of receipt or five (5) days after deposit in the U.S. Mail, first class postage prepaid, or if sent by any other means, upon delivery.

**G. Modifications.** No provision hereof shall be modified or limited except by a written agreement expressly referring hereto and to the provisions so modified or limited and signed by Debtor and Bank. The provisions of the Agreement shall not be modified or limited by course of conduct or usage of trade.

**H. Applicable Law and Partial Invalidity.** This Agreement has been delivered in the State of Tennessee and shall be construed in accordance with the laws of that State. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement. The invalidity or unenforceability of any provision of any Loan Document to any person or circumstance shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

**I. Financing Statement.** To the extent permitted by applicable law, a carbon, photographic or other reproduction of this Agreement or any financing statement covering the Collateral shall be sufficient as a financing statement.

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**J. Dispute Resolution Provision.** This paragraph, including the subparagraphs below, is referred to as the "Dispute Resolution Provision." This Dispute Resolution Provision is a material inducement for the parties entering into this agreement.

(i) This Dispute Resolution Provision concerns the resolution of any controversies or claims between the parties, whether arising in contract, tort or by statute, including but not limited to controversies or claims that arise out of or relate to: (i) this agreement (including any renewals, extensions or modifications); or (ii) any document related to this agreement (collectively a "Claim"). For the purposes of this Dispute Resolution Provision only, the term "parties" shall include any parent corporation, subsidiary or affiliate of the Bank involved in the servicing, management or administration of any obligation described or evidenced by this agreement.

(ii) At the request of any party to this agreement, any Claim shall be resolved by binding arbitration in accordance with the Federal Arbitration Act (Title 9, U.S. Code) (the "Act"). The Act will apply even though this agreement provides that it is governed by the law of a specified state.

(iii) Arbitration proceedings will be determined in accordance with the Act, the then-current rules and procedures for the arbitration of financial services disputes of the American Arbitration Association or any successor thereof ("AAA"), and the terms of this Dispute Resolution Provision. In the event of any inconsistency, the terms of this Dispute Resolution Provision shall control. If AAA is unwilling or unable to (i) serve as the provider of arbitration or (ii) enforce any provision of this arbitration clause, the Bank may designate another arbitration organization with similar procedures to serve as the provider of arbitration.

(iv) The arbitration shall be administered by AAA and conducted in Nashville, Tennessee. All Claims shall be determined by one arbitrator; however, if Claims exceed Five Million Dollars (\$5,000,000), upon the request of any party, the Claims shall be decided by three arbitrators. All arbitration hearings shall commence within ninety (90) days of the demand for arbitration and close within ninety (90) days of commencement and the award of the arbitrator(s) shall be issued within thirty (30) days of the close of the hearing. However, the arbitrator(s), upon a showing of good cause, may extend the commencement of the hearing for up to an additional sixty (60) days. The arbitrator(s) shall provide a concise written statement of reasons for the award. The arbitration award may be submitted to any court having jurisdiction to be confirmed and have judgment entered and enforced.

(v) The arbitrator(s) will give effect to statutes of limitation in determining any Claim and may dismiss the arbitration on the basis that the Claim is barred. For purposes of the application of any statutes of limitation, the service on AAA under applicable AAA rules of a notice of Claim is the equivalent of the filing of a lawsuit. Any dispute concerning this arbitration provision or whether a Claim is arbitrable shall be determined by the arbitrator(s), except as set forth at subparagraph (h) of this Dispute Resolution Provision. The arbitrator(s) shall have the power to award legal fees pursuant to the terms of this agreement.

(vi) This paragraph does not limit the right of any party to: (i) exercise self-help remedies, such as but not limited to, setoff; (ii) initiate judicial or non-judicial foreclosure against any real or personal property

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collateral; (iii) exercise any judicial or power of sale rights, or (iv) act in a court of law to obtain an interim remedy, such as but not limited to, injunctive relief, writ of possession or appointment of a receiver, or additional or supplementary remedies.

(vii) The filing of a court action is not intended to constitute a waiver of the right of any party, including the suing party, thereafter to require submittal of the Claim to arbitration.

(viii) Any arbitration or trial by a judge of any Claim will take place on an individual basis without resort to any form of class or representative action (the "Class Action Waiver"). Regardless of anything else in this Dispute Resolution Provision, the validity and effect of the Class Action Waiver may be determined only by a court and not by an arbitrator. The parties to this Agreement acknowledge that the Class Action Waiver is material and essential to the arbitration of any disputes between the parties and is nonseverable from the agreement to arbitrate Claims. If the Class Action Waiver is limited, voided or found unenforceable, then the parties' agreement to arbitrate shall be null and void with respect to such proceeding, subject to the right to appeal the limitation or invalidation of the Class Action Waiver. **The Parties acknowledge and agree that under no circumstances will a class action be arbitrated.**

(ix) By agreeing to binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Claim. Furthermore, without intending in any way to limit this agreement to arbitrate, to the extent any Claim is not arbitrated, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of such Claim. This waiver of jury trial shall remain in effect even if the Class Action Waiver is limited, voided or found unenforceable. **WHETHER THE CLAIM IS DECIDED BY ARBITRATION OR BY TRIAL BY A JUDGE, THE PARTIES AGREE AND UNDERSTAND THAT THE EFFECT OF THIS AGREEMENT IS THAT THEY ARE GIVING UP THE RIGHT TO TRIAL BY JURY TO THE EXTENT PERMITTED BY LAW.**

**K. Controlling Document.** To the extent that this Security Agreement conflicts with or is in any way incompatible with any other Loan Document concerning the Obligation, any promissory note shall control over any other document, and if such note does not address an issue, then each other document shall control to the extent that it deals most specifically with an issue.

**L. NOTICE OF FINAL AGREEMENT. THIS WRITTEN SECURITY AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed by their duly authorized representatives as of the date first above written.

(signatures on following page)

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Bank/Secured Party:

Debtor(s)/Pledgor(s):

BANK OF AMERICA, N.A.

HILLSDALE FURNITURE LLC

By: Tracy Silverman  
Name: Tracy Silverman  
Title: Senior Vice President

By: James G. Andersen  
Name: James G. Andersen  
Title: secretary

[signature page to Security Agreement]

SCHEDULE G

COPYRIGHTS:

COPYRIGHT STANDINGS ON BEDS		
NAME	DATE REGISTERED	REG #
ABBINGTON ROW BEDROOM	6/18/2002	VA1-173-311
ARDISONNE	1/28/2001	VA1-136-945
AVONDALE/MILANO	3/13/2000	VA1-058-076
BAYVIEW	3/13/2000	VA1-027-512
BELMEADE	7/25/2001	VA1-117-200
BENNETT BED	6/10/2005	VA1-314-379
BERKLEY BED	11/19/2004	VA1-281-017
BETSY	3/14/2002	VA1-155-557
BINIMI WRAP BED	8/26/2004	VA1-278-666
BIRCHWOOD BED	6/9/2006	VA1-363-064
BONAIRE	5/21/2004	VA1-263-319
CABO	3/18/1999	957-595
CAMELOT CANOPY BED	6/12/2002	VA1-265-736
CAMERON BEDROOM & DAYBED	6/10/2005	VA1-314-377
CAPRI BED	6/9/2006	VA1-363-062
CARLYSLE	3/13/2000	VA1-027-507
CASA MAR	3/13/2000	VA1-027-509
CASTINO BED	7/30/2003	VA1-208-624
CELESTE	7/25/2001	VA1-117-204
CHAMBORD	3/14/2002	VA1-155-558
CHESAPEAKE BED	6/9/2006	VA1-363-063
COMO	9/25/2000	VA1-068-254
CONCORD	3/13/2000	VA1-027-511
CORBELL	12/13/2002	VA1-193-766
CORONADA	3/31/2000	VA1-050-292
COURTYARD BEDROOM	11/19/2004	VA1-281-016
EASTRIDGE DAYBED	3/13/2000	VA1-027-508
ELIZABETH	3/14/2002	VA1-155-555
FLORENCE	12/13/2002	VA1-193-765
GIBSON BED	5/21/2004	VA1-263-324
GRAPE LEAF BED	7/1/1995	719-692
HARTFORD	5/17/2001	VA1-095-768
HIGHLAND METAL BED	11/19/2004	VA1-281-015
HIGHLAND BEDROM	11/19/2004	VA1-323-051
JAMES	7/25/2001	VA1-117-203
KARLA	1/28/2001	VA1-136-944
KATHRYN	3/14/2002	VA1-155-554
KINGSTON CANOPY BED	8/26/2004	VA1-278-665
LAUREL LEE	7/25/2001	VA1-117-202
LEGACY	3/13/2000	VA1-027-510

LINDSEY	7/30/2001	VA1-117-201
MANCHESTER	7/30/2001	VA1-117-205
MARBELLA	3/13/2000	VA1-027-500
MARCHE	12/21/2000	VA1-095-508
MARCIA BED	11/14/2006	VA1-404-045
MARILYN	7/30/2001	VA1-117-206
MEDLEY BED	5/21/2004	VA1-263-321
MERCER BED	5/21/2004	VA1-263-322
MERIBELLA BED	7/30/2003	VA1-208-617
MERLOT BED	5/21/2004	VA1-263-323
MERLOT WRAP BED	8/26/2004	VA1-278-664
MILWAUKEE BED	10/3/2003	VA1-404-043
MIRAGE BED	1/14/2003	VA1-193-767
MONTICELLO BED	7/30/2003	VA1-193-758
MORGANTOWN	6/12/2002	VA1-136-056
NAPA VALLEY BED	7/30/2003	VA1-208-627
NEW CASTLE	3/13/2000	VA1-027-514
PRESCOTT BED	6/10/2005	VA1-314-380
REBECCA	3/14/2002	VA1-155-559
SAN RAPHAEL	3/28/2000	VA1-073-236
SANTA BARBARA	3/31/2000	VA1-050-293
SAVANNAH	3/27/2001	118908554
SHELBYVILLE BED & DB	10/16/2006	VA1-404-044
SHERATON	12/13/2002	VA1-193-770
SINCLAIR BEDROOM	6/10/2005	VA1-314-376
SOMMERSET	3/31/2000	VA1-050-291
STEPHANIE	7/17/2002	VA1-152-261
THOMAS	3/31/2000	VA1-027-501
TIERRA	3/31/2000	VA1-050-290
TIERRA MAR BEDROOM	6/18/2002	VA1-173-309
TYLER	6/7/2005	VA1-314-375
VALENTINO	5/4/2004	VA1-263-320
VENICIA	3/13/2000	VA1-027-518
VICTORIA	4/27/2006	VA1-390-458
VINTAGE	3/14/2002	VA1-155-556
WESTCHESTER	5/25/2001	VA1-095-770
WHITNEY BED	7/30/2003	VA1-208-616
WINDMERE	3/31/2000	VA1-050-289
WHISTLER BED	6/10/2005	VA1-314-378
WINGATE	7/30/2003	VA1-193-761
<b>PENDING BEDS</b>	<b>SUBMITTED DATES</b>	
		sent to A/B 2-04
<b>KINGS ISLE BEDROOM</b>	<b>10/21/2003</b>	
<b>SYRACUSE BDRM</b>	<b>3/4/2005</b>	
<b>HUDSON</b>	<b>3/5/2005</b>	
<b>MANSFIELD PLATFORM BED</b>	<b>3/4/2005</b>	
<b>MONTROSE</b>	<b>3/4/2005</b>	

<b>CAMPTON BED</b>	<b>10/16/2006</b>	
<b>TIBERON BED</b>	<b>10/16/2006</b>	
<b>OKLAHOMA BED</b>	<b>10/16/2006</b>	
<b>MADISON BED &amp; DAYBED</b>	<b>10/16/2006</b>	
<b>VANCOVER BED</b>	<b>10/16/2006</b>	
<b>WILSHIRE METAL BED</b>	<b>10/16/2006</b>	
<b>HUNTLEY BED</b>	<b>10/16/2006</b>	
<b>DOHENY BED</b>	<b>10/16/2006</b>	
<b>SOHO BED</b>	<b>10/16/2006</b>	
<b>HARRISON BED &amp; DB</b>	<b>10/16/2006</b>	
<b>PINECREST BED</b>	<b>10/16/2006</b>	
<b>HORSE STALL DAYBED</b>	<b>1/26/2011</b>	
<b>COPYRIGHTS EXCEPT FOR BEDS</b>		
<b>NAME</b>	<b>DATE REGISTERED</b>	<b>REG #</b>
<b>ALBANY VANITY STOOL</b>	<b>Nov-04</b>	
ALTA VISTA BARSTOOL	Jul-03	VA1-208-621
ANIMAL ARTWORK	Feb-00	VA1-027-515
ATHENS	Dec-02	VA1-198-769
<b>BAYBERRY COLLECTION</b>	<b>Oct-06</b>	
BARCELONA SWIVEL STOOL	Dec-05	VA1-324-956
BERGAMO STOOL	Feb-10	VA1-718-759
BORDEAUX	Dec-00	VA1-073-234
BRADFORD BARSTOOL	Feb-07	VA1-398-688
BRAXTON SWIVEL STOOL	Mar-07	VA1-679-081
<b>BROOKSIDE COLLECTION</b>	<b>Oct-06</b>	
<b>BROOKSIDE OVAL</b>	<b>Oct-06</b>	
<b>BOOKSIDE DIAMOND</b>	<b>Oct-06</b>	
FLORAL PORCELAIN (BRIARHILL MEDALLION)	Sep-96	823-271
CALAIS	Feb-00	VA1-027-494
CAMDEN COURT	Jan-02	VA1-210-212
CAMILLE BARSTOOL	Feb-07	VA1-398-687
CABO	Feb-00	VA1-027-502
CAMELOT COLLECTION	Jan-02	VA1-210-213
CAPTIVA COLLECTION	Jul-03	VA1-208-619
CARMEL	Dec-96	VA1-837-893
CAROLINA DESIGN	Nov-00	VA1-078-64
CAROLINA COLLECTION	Nov-00	VA1-095-506
CAROLINA HAND PAINT	Nov-00	VA1-095-507
CAROLINA METAL BATH	Aug-01	VA1-103-326
CAROLINA WOOD BATH	Aug-01	VA41-103-327
CARVED GRAPE	Feb-10	VA1-705-683
CASABLANCA	Dec-02	VA1-193-757
CECILY BAR STOOL	Apr-07	VA1-409-435
<b>CHATHAM SWIVEL STOOL</b>	<b>Jun-02</b>	
CHATEAU BAKERS RACK	Sep-96	813-851
CHATEAU 3 TIER	Sep-96	821-812
CHATEAU 5 TIER	Sep-96	821-814

CHATEAU BAKERS RACK	Sep-96	821-811
CHATEAU WALL RACK	Sep-96	821-810
CLAYTON SWIVEL STOOL	Apr-04	VA1-278-668
CLEARWATER COLLECTION	Jul-03	VA1-298-618
<b>COLLIN BACKLESS STOOL</b>	<b>Aug-11</b>	
COLONADE	Dec-96	837-889
CONWAY CHAIR	Sep-08	
COUNTY LINE	Jun-02	VA1-135-885
COVENTRY	Feb-00	VA1-027-519
COVENTRY MULTIFUNCTIONAL BATH	Jun-99	998-700
COVENTRY STACKING	Jun-99	998-041
CROWN SPACESAVER	Feb-96	837-887
CUMBERLAND COLLECTION	Oct-06	VA1-404-042
DANVILLE	Jan-02	VA1-210-210
DIAMOND BACK SW&NON SW	Nov-00	VA1-078-645
DRAKE SWIVEL STOOL	Jun-02	VA1-150-892
DOUBLE SHELL SWIVEL STOOL	Mar-05	VA1-325-133
<b>EMBASSY STOOLS &amp; SIDEBORD</b>	<b>Oct-06</b>	
<b>EMBASSY TABLE</b>	<b>Oct-06</b>	
<b>ESSEX SWIVEL STOOL</b>	<b>Jun-02</b>	
FOREST VIEW	Dec-95	837-896
FRENCH CARVED HALF BACK STOOL	Dec-00	VA1-061-596
FRUIT CARVING DESIGN	Mar-01	VA1-081-360
GALVESTON SWIVEL STOOL	Apr-04	VA1-278-667
GLENFIELD SWIVEL BARSTOOL	Apr-07	VA1-409-434
GLENMARY COLLECTION	Oct-06	
GRAPE APPLE COLLECTION	Dec-02	VA1-193-760
GRAPE BAKERS RACK	Feb-96	837-895
GRAPE CARVING DESIGN	Mar-01	VA1-081-358
GRAPE CHAIR	Dec-96	837-898
GRAPE CLUSTER	Jan-96	763-261
GRAPE CORNER RACK	Feb-96	797-405
HIGHLAND ACCENT PIECES	Apr-04	VA1-278-659
HIGHLAND CONSOLE TABLES AND MIRROR	Apr-04	VA1-278-660
HIGHLAND RECTANGLE DINING COLLECTION	Apr-04	VA1-278-657
HIGHLAND ENTERTAINMENT CENTER	Apr-04	VA1-278-658
HIGHLAND WINE CABINET	Apr-04	VA1-278-656
JENNINGS CHAIR	Sep-08	
JULIET COLLECTION	Dec-02	VA1-193-762
KATRINA	May-01	VA1-078-646
KRISTINA SWIVEL STOOL	Mar-10	VA1-722-417

<b>LAKE FOREST COLLECTION</b>	<b>Oct-06</b>	
LAUREL	Jan-98	906-515
LARGE SCROLL BEVELED CORNER	Oct-96	821-813
LEAF CARVED DESIGN	May-01	VA1-081-361
LEGACY STOOL	Mar-05	VA1-325-132
LION	Apr-01	VA1-000-824
LONGVIEW	Feb-00	VA1-058-075
LOUIS	Aug-01	VA1-097-863
LYON BARSTOOL	Feb-07	VA1-398-689
MACINAC BARSTOOL	Dec-06	VA1-387-647
MADISON SWIVEL STOOL	Dec-05	VA1-324-955
MAGNOLIA COLLECTION	Nov-00	VA1-095-505
MAGNOLIA DESIGN	Sep-00	VA1-078-643
MANCHESTER	Nov-00	VA1-078-647
MAUI COLLECTION	Jul-03	VA1-208-615
MEADOWVIEW SWIVEL STOOL	Apr-07	VA1-409-432
MEDALLION COLL.	Feb-00	VA1-027-506
MELBOURNE COLLECTION	Jul-03	VA1-208-620
MILAN DINING	Apr-07	VA1-409-433
MIRAGE	Dec-02	VA1-193-768
MONACO	Dec-00	VA1-073-235
MORNAY	Dec-00	VA1-058-079
MORVITCH	Apr-06	VA1-390-459
Monticello (DAB sent directly to McDermitt 9-04)		VA1-265-376
MONROE DINING TABLE AND CHAIRS	Jun-06	VA1-363-061
NAPLES DINING COLLECTION	Apr-04	VA1-278-661
NEW MORNAY	Mar-00	VA1-117-207
PAMPLONA STOOL	Feb-10	VA1-718-758
PEMBROOK SWIVEL STOOL	Apr-07	VA1-409-436
PINEAPPLE	Jan-96	763-2260
PINEAPPLE	Mar-01	VA1-081-362
PINECONE BAKERS RACK	Dec-96	837-894
PINECONE CORNER	May-96	790-180
POMPEI DINING COLLECTION	Apr-04	VA1-278-663
REGENCY	Dec-00	VA1-058-077
ROOSTER	Jan-02	VA1-210-211
ROOSTER STOOL	Feb-10	VA1-705-682
ROSETTA	Dec-96	837-899
SCOTTSDALE	Apr-01	VA1-077-577
SCROLL BACK COLLECTION	Dec-02	VA1-193-763
SERENITY COLLECTION	Dec-02	VA1-193-764
SHELL CARVING DESIGN	Mar-01	VA1-081-359
SONOTA	Dec-02	
<b>SOUTHWINDS</b>	<b>Jan-02</b>	

STRATFORD	Nov-00	VA1-078-648
SYCAMORE	Nov-00	VA1-193-771
TRELLIS CHAIR	Dec-96	837-888
<b>TRINITY SWIVEL STOOL</b>	<b>Oct-06</b>	
TUSCANY	Dec-00	VA1-058-074
<b>VERONIA VANITY STOOL</b>	<b>Nov-04</b>	
VICTORIA VANITY STOOL	May-04	VA1-263-318
VILLA II		468-059
VILLA II	Dec-00	VA1-058-078
VINEYARD/VERSAILLES	Dec-96	837-890
VINEYARD BUTCHER BLOCK	Dec-96	837-897
VINTAGE COLLECTION	Dec-03	VA1-252-555
VINTAGE STOOL	Jul-03	VA1-208-626
WATTERSON B/R	Feb-96	782-892
WEST PALM COLLECTION	Jul-03	VA1-226--088
WILLOW DESIGN	Nov-00	VA1-078-642
WILLOW COLL.	Nov-00	VA1-095-504
WINGATE	Dec-02	VA1-193-772
WINDSOR	Feb-10	VA1-722-419
WOODFORD COUNTY	Jun-02	VA1-336-057
WOODLANDS		
YORK COLLECTION	Jul-03	VA1-208-622

Trademarks:

<b>Trademark (USPTO)</b>	<b>Reg #</b>
Hillsdale	2269006
Hillstreet	2290129
America's Great Room	3464005
Hill-A-Matic	3110187
Fashionable Function	2451996
Hillsdale Furniture, LLC & fleur de Lis	3632072

Patents:

None