

Form PTO-1594  
(Rev. 10/02)  
OMB No. 0651-0027 (exp. 6/30/2005)  
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### RECORDATION FORM COVER SHEET TRADEMARKS ONLY

U.S. DEPARTMENT OF COMMERCE  
U.S. Patent and Trademark Office

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):  
Flexi-Mat Corporation

Individual(s)                       Association  
 General Partnership               Limited Partnership  
 Corporation-State  
 Other \_\_\_\_\_ Illinois \_\_\_\_\_

Additional name(s) of conveying party(ies) attached?  Yes  No

2. Name and address of receiving party(ies)  
Name: American Capital Financial Services, Inc.  
Internal  
Address: 5775 Sears Tower  
Street Address: 233 South Wacker Drive  
City: Chicago State: IL Zip: 60606

Individual(s) citizenship \_\_\_\_\_  
 Association \_\_\_\_\_  
 General Partnership \_\_\_\_\_  
 Limited Partnership \_\_\_\_\_  
 Corporation-State Delaware  
 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)  
 Additional name(s) & address(es) attached?  Yes  No

3. Nature of conveyance:  
 Assignment                       Merger  
 Security Agreement               Change of Name  
 Other \_\_\_\_\_

Execution Date: 10/31/03

4. Application number(s) or registration number(s):  
 A. Trademark Application No.(s) 76/244800

B. Trademark Registration No.(s) See attached  
 Schedule A for continuation of Block 4.B

Additional number(s) attached  Yes  No

5. Name and address of party to whom correspondence concerning document should be mailed:  
 Name: Renee Prescan  
 Internal Address: Kirkland & Ellis LLP  
 Street Address: 200 E. Randolph Drive  
 City: Chicago State: IL Zip: 60601

6. Total number of applications and registrations involved: ..... 17

7. Total fee (37 CFR 3.41).....\$ 425  
 Enclosed  
 Authorized to be charged to deposit account

8. Deposit account number:  
 22-0440 (and for any additional fees or credits)

DO NOT USE THIS SPACE

9. Signature.  
 Krista L. Nunemaker                      *Krista L. Nunemaker*                      12-11-2003  
 Name of Person Signing                      Signature                      Date

Total number of pages including cover sheet, attachments, and document: 18

Mail documents to be recorded with required cover sheet information to:  
 Commissioner of Patent & Trademarks, Box Assignments  
 Washington, D.C. 20231

CH \$440.00 220440 76244800

## SCHEDULE A

### U.S. TRADEMARK REGISTRATIONS

Mark	Serial No.	Filing Date	Reg. No.	Reg. Date
40 WINKS DESIGNS	75/493,877	6/1/98	2,268,844	8/10/99
CATNAPPER	73/560,061	9/24/85	1,391,596	4/29/86
CUDDLE BALL	76/019,307	4/6/00	2,590,455	7/9/02
CUDDLE-UP	75/718,336	6/1/99	2,338,555	4/4/00
CUDDLER	73/120,316	3/24/77	1,078,928	12/6/77
DOGNAPPER & Design	73/312,196	5/28/81	1,242,097	6/14/83
FLEXI-MAT	75/468,057	4/14/98	2,235,927	3/30/99
FLEXI-MAT'S	75/447,450	3/10/98	2,228,694	3/2/99
HIGHLAND PLAID	75/464,520	4/8/98	2,271,867	8/24/99
KITTY KUDDLER	75/170,902	9/24/96	2,159,634	5/19/98
OOPS! PAD	75/830,944	01/25/99	2,401,938	11/7/00
ORTHO NAPPER	75/392,959	11/19/97	2,217,277	1/12/99
PETNAPPER	75/392,678	11/19/97	2,249,058	6/1/99
SNUGGLE BALL	76/019,313	4/6/00	2,433,631	3/6/01
SNUGLER	74/118,891	11/28/90	1,671,759	1/14/92
STERI-LON	73/420,060	4/4/83	1,294,394	9/11/84

## INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT (this "IP Agreement") is dated as of October 31, 2003 by and among FLEXI-MAT HOLDING, INC., a Delaware corporation ("Parent"), FLEXI-MAT CORPORATION, a Delaware corporation ("Flexi-Mat Delaware"), FLEXI-MAT CORPORATION, an Illinois corporation ("Flexi-Mat Illinois"; Parent, Flexi-Mat Delaware and Flexi-Mat Illinois are sometimes referred to individually as a "Borrower" and collectively as the "Borrowers"), and AMERICAN CAPITAL FINANCIAL SERVICES, INC., a Delaware corporation, as agent (in such capacity, the "Agent") for the benefit of itself and the Purchasers (as such term is defined in the Purchase Agreement referred to below).

### R E C I T A L S:

A. Pursuant to that certain Revolving Loan, Note and Equity Purchase Agreement, dated as of October 31, 2003 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Purchase Agreement"; capitalized terms used herein and not defined shall have the meanings assigned to them in the Purchase Agreement), among Borrowers, the Purchasers and Agent, the Purchasers have agreed to make available to or for the account of Borrowers certain financial accommodations as specified therein (collectively, the "Investments");

B. Pursuant to that certain Security Agreement, dated as of October 31, 2003 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Security Agreement"), between Borrowers and Agent, Borrowers granted to Agent for the benefit of Agent and the Purchasers a security interest in substantially all the assets of Borrowers including, without limitation, all right, title and interest of Grantor in, to and under all IP Collateral to secure the Obligations; and

C. It is a condition to the obligations of the Purchasers to make the Investments under the Purchase Agreement that the Borrowers shall have executed and delivered this IP Agreement and that this IP Agreement shall be in full force and effect;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

#### 1. DEFINITIONS AND EFFECT.

1.1 General Terms. As used in this IP Agreement:

"Copyrights" has the meaning ascribed to it by Section 2(a) hereof.

"IP Agreement" means this Intellectual Property Security Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time.

"IP Collateral" has the meaning ascribed to it by Section 2 hereof.

"Licenses" has the meaning ascribed to it by Section 2(c) hereof.

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

"Patents" has the meaning ascribed to it by Section 2(d) hereof.

"Related Documents" means, collectively, all documents and things in each Borrower's possession related to the production and sale by such Borrower, or any Affiliate, Subsidiary, licensee or subcontractor thereof, of products or services sold by or under the authority of such Borrower in connection with the Patents, Trademarks, Copyrights or Licenses including, without limitation, all product and service specification documents and production and quality control manuals used in the manufacture of products or provision of services sold under or in connection with the Trademarks.

"Trademarks" has the meaning ascribed to it by Section 2(b) hereof.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

## 2. GRANT OF SECURITY INTEREST.

Each Borrower hereby grants to the Agent a security interest in all of such Borrower's right, title and interest in and to all of its now owned or existing and hereafter acquired or arising property described as follows (collectively, the "IP Collateral") to secure payment of the Obligations:

(a) all United States and foreign copyright registrations and applications and material unregistered copyrights, including, without limitation, copyright registrations and applications and material unregistered copyrights, listed on Exhibit A hereto, and applications therefor and renewals thereof and all income, royalties, damages and payments now and hereafter due and/or payable under and with respect to all United States and foreign copyright registrations and applications and material unregistered copyrights, including, without limitation, damages and payments for past and future infringements thereof (all of the foregoing are sometimes hereinafter individually and/or collectively referred to as the "Copyrights");

(b) all United States and foreign trademark registrations of and applications for trademarks, material unregistered trademarks, tradenames, service marks, trademark and service mark registrations and renewals, and trademark and service mark applications, including, without limitation, the trademark registrations of and applications for trademarks, material unregistered trademarks, service marks and tradenames listed on Exhibit B hereto, and registrations and renewals thereof, and all income, royalties, damages and payments now and hereafter due and/or payable under and with respect to all trademarks, tradenames and service marks including, without limitation, damages and payments for past and future infringements thereof against third parties (all of the foregoing are sometimes hereinafter individually and/or collectively referred to as the "Trademarks");

(c) all material license agreements in which the Borrower is or becomes licensed (or grants or permits, whether now or in the future a license) to use a material

copyright, trademark, service mark, tradename, patent or the related know-how including, without limitation, the license agreements listed on Exhibit C hereto (the "Licenses");

(d) all United States and foreign patents and patent applications, whether in the United States or any foreign jurisdiction, and the inventions and improvements described and claimed therein and trade secrets and know-how related thereto, including, without limitation, the patents and patent applications listed on Exhibit D hereto, and the re-issues, divisions, renewals, extensions and continuations-in-part thereof and all income, royalties, damages and payments now and hereafter due and/or payable thereunder and with respect thereto, including, without limitation, damages and payments for past and future infringements thereof, the right to sue for past, present and future infringements thereof and all rights corresponding thereto throughout the world (all of the foregoing being sometimes hereinafter individually and/or collectively referred to as the "Patents");

(e) the goodwill of each Borrower's business connected with the use of and symbolized by the Trademarks;

(f) the Related Documents; and

(g) all products and proceeds, including, without limitation, insurance proceeds, of any of the foregoing.

### 3. REPRESENTATIONS AND WARRANTIES.

Each Borrower represents and warrants to the Agent that:

3.1 Authorization, Validity and Enforceability. The execution, delivery and performance by each Borrower of this IP Agreement have been duly authorized by proper proceedings, and this IP Agreement constitutes a legal, valid and binding obligation of each Borrower and creates a security interest that is enforceable against each Borrower in all now owned and hereafter acquired IP Collateral.

3.2 Conflicting Laws and Contracts. Neither the execution and delivery by any Borrower of this IP Agreement, the creation and perfection of the security interest in the IP Collateral granted hereunder, nor compliance with the terms and provisions hereof, will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on any Borrower or any Borrower's articles or certificate of incorporation or certificate of formation, as applicable, or by-laws or operating agreement as applicable, the provisions of any indenture, instrument or agreement to which any Borrower is a party or is subject, or by which it, or its property, is bound, or conflict therewith or constitute a default thereunder, or result in the creation or imposition of any Lien pursuant to the terms of any such indenture, instrument or agreement.

3.3 No Financing Statements. Upon the making of the filings and recordings specified in clauses (a) and (b) of Section 3.4 below, the Agent will have a first priority perfected security interest in the IP Collateral, except for Permitted Liens. No financing statement or similar document describing all or any portion of the IP Collateral that has not lapsed or been

terminated naming any Borrower as debtor or assignor has been filed in any jurisdiction or office, including, without limitation, the United States Patent and Trademark Office or the United States Copyright Office.

3.4 Security Interest. This IP Agreement creates a valid security interest in the IP Collateral, enforceable against each Borrower and all third parties, securing payment of the Obligations, which security interest will be perfected, with respect to rights in the United States, upon (a) the recording of this IP Agreement in the Office of the Commissioner of Patents and Trademarks and the United States Copyright Office, and (b) the filing of Uniform Commercial Code financing statements with the Secretary of State of the State[s] of Delaware and Illinois.

3.5 Litigation. There has been no litigation, arbitration, governmental investigation, proceeding or inquiry pending or threatened against or affecting any Borrower or its Subsidiaries challenging such Borrower's right, title and interest in the IP Collateral or alleging that such Borrower's use of any IP Collateral violates the rights of any Person. Each Borrower's use of the IP Collateral does not infringe upon the rights of any third party.

3.6 Complete Listing. The Copyrights, Trademarks, Licenses and Patents set forth on the Schedules hereto constitute, as of the date hereof, all material Copyrights, Trademarks, Licenses and Patents of the Borrowers and the Borrowers have good and marketable title to, or the right to use, all such property, free and clear of all Liens other than those in favor of the Agent and Permitted Liens.

#### 4. COVENANTS.

From the date of this IP Agreement, and thereafter until this IP Agreement is terminated:

4.1 Inspection. The Borrowers will permit the Agent, by representatives and agents, to examine and make copies of the records of the Borrowers relating to the IP Collateral, and to discuss the IP Collateral and the records of the Borrowers with respect thereto with, and to be advised as to the same by, the Borrowers' officers and employees at such reasonable times and intervals as the Agent may designate.

4.2 Taxes. Each Borrower will pay when due all material taxes, assessments and governmental charges and levies upon the IP Collateral.

4.3 Records and Reports. Each Borrower will maintain complete and accurate books and records with respect to the IP Collateral, and furnish to the Agent such reports relating to the IP Collateral as the Agent shall from time to time reasonably request.

4.4 Financing Statements and Other Actions. Each Borrower hereby authorizes the Agent to effect any filing or recording in order to effect the purpose of this IP Agreement, including, without limitation, the filing or recording of any financing or continuation statements with respect hereto. Each Borrower will execute and deliver to the Agent all other documents from time to time requested by the Agent in order to maintain and/or perfect a first perfected security interest in the IP Collateral, except for Permitted Liens.

4.5 Disposition of Collateral; Liens. Except for non-exclusive licensing agreements or as permitted under the Purchase Agreement, no Borrower will sell, lease or otherwise dispose of the IP Collateral. No Borrower will create, incur or suffer to exist any Lien upon the IP Collateral except the security interest created by this IP Agreement and as otherwise permitted by the Purchase Agreement.

4.6 Preservation of Value. Each Borrower agrees to protect and preserve the value and integrity of all material Trademarks, Patents, Copyrights and Licenses and, to that end, shall maintain the quality of any and all of its products or services bearing the trademarks or service marks included in such Trademarks, Patents, Copyrights or Licenses consistent with the quality of such products and services of such marks as of the date of this IP Agreement.

4.7 Collateral Royalties; Term. Each Borrower hereby agrees that during the occurrence and continuance of an Event of Default, any use by the Agent of any Patents, Copyrights, Trademarks and Licenses as described above shall be worldwide, to the extent possessed by the Borrower, and subject to the limitations of applicable law, and without any liability for royalties or other related charges from the Agent to the Borrower. The term of the grants of security interests granted herein shall extend until the expiration of each of the respective Copyrights, Trademarks, Patents and Licenses pledged hereunder, or until the Obligations have been indefeasibly paid in full, no commitment by the Agent exists that could give rise to any Obligations and this IP Agreement have been terminated, whichever first occurs.

4.8 Annual Report. Each Borrower shall provide the Agent upon request, and in any event prior to April 15 of each year, with a list of all new applications for United States and foreign copyrights, patents and trademarks, which new applications shall be subject to the terms and conditions of this IP Agreement. Each Borrower hereby authorizes the Agent to modify this IP Agreement by amending the Exhibits hereto to include any such new Trademarks, Patents, Copyrights or Licenses and to re-record this IP Agreement from time to time as the Agent sees fit.

4.9 Delivery of Certificates. Upon the request of the Agent, each Borrower shall deliver to the Agent copies of all existing and future official Certificates of Registration for the Patents, Trademarks and Copyrights.

4.10 Notice of Proceedings. Each Borrower shall promptly notify the Agent of the institution of, and any adverse determination in, any proceeding in the United States Patent and Trademark Office or any agency of any state or any court regarding the Borrower's right, title and interest in any material Patent, Trademark or Copyright or the Borrower's right to register any material Patent, Trademark or Copyright.

## 5. DEFAULT.

5.1 Borrower's Obligations Upon Default. Upon the request of the Agent after an Event of Default occurs and is continuing, each Borrower will:

5.1.1 Assembly of Collateral. Assemble and make available to the Agent the IP Collateral and all records relating thereto at the main office of such Borrower or at such other place or places reasonably specified by the Agent.

5.1.2 Secured Party Access. Permit the Agent, by the Agent's representatives and agents, to enter and remain on any premises where all or any part of the books and records relating thereto, or both, are located, to take possession of all or any part of the IP Collateral or such books and records and to remove all or any part of the IP Collateral or such books and records.

## 6. WAIVERS, AMENDMENTS AND REMEDIES.

6.1 Remedies. In the event that any Event of Default has occurred and is continuing, subject to the limitations of applicable law, the Agent, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon any Borrower or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the IP Collateral, or any part thereof, and/or may forthwith sell, assign, give option or options to purchase, contract to sell or otherwise dispose of and deliver said IP Collateral, or any part thereof, in one or more portions at public or private sale or sales or dispositions, at any exchange, broker's board or at any of the Agent's offices or elsewhere upon such terms and conditions as the Agent may deem advisable and at such prices as the Agent may deem best, for any combination of cash or on credit or for future delivery without assumption of any credit risk, with the right to the Agent upon any such sale or sales or dispositions, public or private, to purchase the whole or any part of said IP Collateral so sold, free of any right or equity of redemption in any Borrower, which right or equity is hereby expressly waived and released to the fullest extent permitted by applicable law.

6.2 Waivers and Amendments. No delay or omission of the Agent to exercise any right or remedy granted under this IP Agreement shall impair such right or remedy or be construed to be a waiver of any Event of Default or an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude other or further exercise thereof or the exercise of any other right or remedy, and no waiver, amendment or other variation of the terms, conditions or provisions of this IP agreement whatsoever shall be valid unless in writing signed by the Agent, and then only to the extent specifically set forth in such writing. All rights and remedies contained in this IP agreement or by law afforded shall be cumulative and all shall be available to the Agent until the Obligations have been indefeasibly paid in full.

## 7. PROCEEDS.

7.1 Application of Proceeds. The proceeds of the IP Collateral shall be applied by the Agent to payment of the Obligations in the manner set forth in Section 4.5 of the Security Agreement.

## 8. GENERAL PROVISIONS.

8.1 Notice of Disposition of Collateral. Each Borrower hereby waives notice of the time and place of any public sale or the time after which any private sale or other disposition of all or any part of the IP Collateral may be made, subject to the limitations of applicable law. To the extent such notice may not be waived under applicable law, any notice made shall be deemed reasonable if sent to the Borrowers, addressed as set forth in Section 8.12 hereof, at least ten days



prior to any such public sale or the time after which any such private sale or other disposition may be made.

8.2 Agent Performance of Borrower Obligations. Without having any obligation to do so, upon either (a) notice to the Borrowers or (b) the occurrence of a Default or an Event of Default, the Agent may perform or pay any obligation that the Borrowers have agreed to perform or pay in this IP Agreement and such Borrower shall reimburse the Agent for any amounts paid by the Agent pursuant to this Section 8.2. Such Borrower's obligation to reimburse the Agent pursuant to the preceding sentence shall be an Obligation.

8.3 Authorization for Agent to Take Certain Action. Each Borrower irrevocably authorizes the Agent at any time and from time to time, in the sole reasonable discretion of the Agent, upon either (a) notice to the Borrowers or (b) the occurrence of a Default or an Event of Default: (i) to execute on behalf of any Borrower as debtor and to file financing statements and other documents with the United States Patent and Trademark Office or Copyright Office or otherwise that are necessary or desirable in the Agent's sole discretion to perfect and to maintain the perfection and priority of the Agent's security interest in the IP Collateral; (ii) to endorse and collect any cash proceeds of the IP Collateral; or (iii) to file a carbon, photographic or other reproduction of this IP Agreement or any financing statement with respect to the IP Collateral as a financing statement in such offices as the Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Agent's security interest in the IP Collateral.

8.4 Benefit of Agreement. The terms and provisions of this IP Agreement shall be binding upon and inure to the benefit of the Borrowers, the Agent and its respective successors and assigns, except that the Borrowers shall not have the right to assign their rights or obligations under this IP Agreement or any interest herein, without the prior written consent of the Agent.

8.5 Survival of Representations. All representations and warranties of the Borrower contained in this IP Agreement shall survive the execution and delivery of this IP Agreement.

8.6 Taxes and Expenses. Any taxes (including, without limitation, any sales, gross receipts, general corporation, personal property, privilege or license taxes, but not including any federal or other taxes imposed upon the Agent, with respect to its gross or net income or profits arising out of this IP Agreement) payable or ruled payable by any Federal or State authority in respect of this IP Agreement shall be paid by the Borrowers, together with interest and penalties, if any. The Borrowers shall reimburse (a) the Agent for any and all reasonable out-of-pocket expenses and internal charges (including reasonable attorneys', auditors' and accountants' fees and reasonable time charges of attorneys, paralegals, auditors and accountants who may be employees of the Agent) paid or incurred by the Agent in connection with the preparation, execution, delivery, administration, collection and enforcement of this IP Agreement and in the audit, analysis, administration, collection, preservation or sale of the IP Collateral (including the expenses and charges associated with any periodic or special audit of the IP Collateral), and (b) the Agent for any and all reasonable out-of-pocket expenses and internal charges (including reasonable attorneys', auditors' and accountants' fees and reasonable time charges of attorneys, paralegals, auditors and accountants who may be employees of the Agent) paid or incurred by the Agent in connection with the collection and enforcement of this IP Agreement.

8.7 Termination. This IP Agreement shall continue in effect (notwithstanding the fact that from time to time there may be no Obligations or commitments therefor outstanding) until the payment in full of the Obligations, at which time the security interests granted hereby shall terminate and any and all rights to the IP Collateral shall revert to the Borrowers. Upon such termination, the Agent shall promptly return to each Borrower, at such Borrower's expense, such of the IP Collateral held by the Agent as shall not have been sold or otherwise applied pursuant to the terms hereof. The Agent will promptly execute and deliver to each Borrower such other documents as such Borrower shall reasonably request to evidence such termination.

8.8 Entire Agreement. This IP Agreement, the Purchase Agreement and the other Purchase Documents embody the entire agreement and understanding between the Borrowers and the Agent relating to the IP Collateral and supersede all prior agreements and understandings between the Borrowers and the Agent relating to the IP Collateral.

8.9 Waivers. Except to the extent expressly otherwise provided herein or in any other Purchase Document, each Borrower waives, to the extent permitted by applicable law, (a) any right to require the Agent to proceed against any other person, to exhaust its rights in any other collateral, or to pursue any other right which the Agent may have, and (b) with respect to the Obligations, presentment and demand for payment, protest, notice of protest and non-payment, and notice of the intention to accelerate.

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

8.11 CHOICE OF LAW. THIS IP AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF MARYLAND WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

8.12 Sending Notices. Any notice required or permitted to be given under this IP Agreement shall be given in accordance with Section 14.6 of the Purchase Agreement.

[Signature Pages Follows]

IN WITNESS WHEREOF, the undersigned have caused this IP Agreement to be executed by their duly authorized representatives as of the date first set forth above.

**BORROWERS:**

**FLEXI-MAT HOLDING, INC., a Delaware corporation**

By: Troy Peffer  
Name: TROY PEFFER  
Title: PRESIDENT

**FLEXI-MAT CORPORATION, a Delaware corporation**

By: Troy Peffer  
Name: TROY PEFFER  
Title: PRESIDENT

**FLEXI-MAT CORPORATION, an Illinois corporation**

By: Troy Peffer  
Name: TROY PEFFER  
Title: VICE PRESIDENT

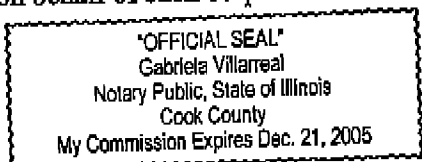
**AGENT:**

**AMERICAN CAPITAL FINANCIAL SERVICES, INC., a Delaware corporation**

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

STATE OF IL )  
COUNTY OF Cook ) SS

The foregoing Intellectual Property Assignment was executed and acknowledged before me this 29 day of October, 2003 by Troy A. Peifer, personally known to me to be the president of Flexi-Mat Holding, Inc., a Delaware corporation, on behalf of such corporation.

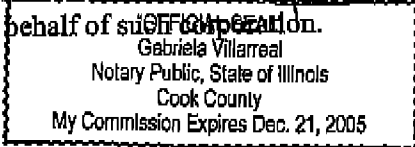


(SEAL)

NOTARY PUBLIC   
My Commission Expires: 12/21/05

STATE OF IL )  
COUNTY OF Cook ) SS

The foregoing Intellectual Property Assignment was executed and acknowledged before me this 29 day of October, 2003 by Troy A. Peifer, personally known to me to be the president of Flexi-Mat Corporation, a Delaware corporation, on behalf of such corporation.

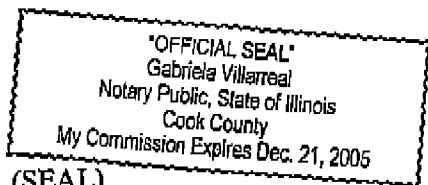


(SEAL)

NOTARY PUBLIC   
My Commission Expires: 12/21/05

STATE OF IL )  
COUNTY OF Cook ) SS

The foregoing Intellectual Property Assignment was executed and acknowledged before me this 29 day of October, 2003 by Troy A. Peifer, personally known to me to be the vice president of Flexi-Mat Corporation, an Illinois corporation, on behalf of such corporation.



(SEAL)

NOTARY PUBLIC   
My Commission Expires: 12/21/05

IN WITNESS WHEREOF, the undersigned have caused this IP Agreement to be executed by their duly authorized representatives as of the date first set forth above.

**BORROWERS:**

**FLEXI-MAT HOLDING, INC., a Delaware corporation**

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

**FLEXI-MAT CORPORATION, a Delaware corporation**


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

**FLEXI-MAT CORPORATION, an Illinois corporation**

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

**AGENT:**

**AMERICAN CAPITAL FINANCIAL SERVICES, INC., a Delaware corporation**

By:   
Name: Li Thomas Gregory  
Title: Senior Vice President

**EXHIBIT A****COPYRIGHTS**

<b>Title</b>	<b>Country</b>	<b>Case No.</b>	<b>Status</b>	<b>Reg. No. / Reg. Date</b>
<b>CAT PAWS (Fabric)</b>	United States Copyright	201300-00100	Registered	VA 281-112 / 09-Dec-93
<b>DUCK TOY</b>	United States Copyright	201300-00094-D	Registered	VA 254-357 / 17-Feb-93
<b>I LOVE MY DOG (Fabric)</b>	United States Copyright	201300-00139	Registered	VA 965-234 / 01-Feb-99
<b>PAISLEY AND DOG PRINT</b>	United States Copyright	201300-00106	Registered	VA 689-113 / 24-Apr-95
<b>PET PILLOW PACKAGE</b>	United States Copyright	201300-00089	Registered	VA 530-713 / 28-Oct-92
<b>RABBIT TOY</b>	United States Copyright	201300-00094-R	Registered	VA 206-302 / 16-Feb-93
<b>TOSSED DOGS (Fabric)</b>	United States Copyright	201300-00168	Registered	VA 507-640 / 13-Apr-01

EXHIBIT B

## TRADEMARKS

Trademark	Country Name	Case No.	Status	Appl. No. / Filing Date	Reg. No. / Reg. Date	Next Renewal
40 WINKS DESIGNS	United States of America	201300- 00136	Registered	75/493877 / 01-Jun-98	2268844 / 10-Aug-99	10-Aug-09
40 WINKS DESIGNS AND DESIGN	Canada	201300- 00137	Registered	882428 / 25-Jun-98	529434 / 19-Jun-00	19-Jun-15
CATNAPPER	United States of America	201300- 00007	Registered	560061 / 25-Sep-85	1391596 / 29-Apr-86	29-Apr-06
CRATE MATE	United Kingdom	201300- 00172	Registered	2271325 / 30-May-01	2271325 / 30-May-01	30-May-11
CUDDLE BALL	United States of America	201300- 00169	Published	76/244800 / 23-Apr-01		
	Canada	201300- 00154	Registered	1062141 / 06-Jun-00	TMA579021 / 04-Apr-03	04-Apr-18
	United States of America	201300- 00150	Registered	76/019307 / 06-Apr-00	2590455 / 09-Jul-02	09-Jul-12
CUDDLE-UP	United States of America	201300- 00141	Registered	75/718336 / 01-Jun-99	2338555 / 04-Apr-00	04-Apr-10
CUDDLER	United States of America	201300- 00023	Registered	120316 / 24-Mar-77	1078928 / 06-Dec-77	06-Dec-07
DOGNAPPER AND DESIGN	United States of America	201300- 00028	Registered	312196 / 28-May-81	1242097 / 14-Jun-83	14-Jun-13
FLEXI-MAT	United States of America	201300- 00133	Registered	75/468057 / 14-Apr-98	2235927 / 30-Mar-99	30-Mar-09

<b>FLEXI-MAT'S</b>	United States of America	201300-00131	Registered	75/447450 / 10-Mar-98	2228694 / 02-Mar-99	02-Mar-09
<b>HIGHLAND PLAID</b>	United States of America	201300-00134	Registered	75/464520 / 08-Apr-98	2271867 / 24-Aug-99	24-Aug-09
<b>KITTY KUDDLER</b>	Canada	201300-00123	Registered	838609 / 06-Mar-97	510534 / 07-Apr-99	07-Apr-14
	United States of America	201300-00116	Registered	75/170902 / 24-Sep-96	2159634 / 19-May-98	19-May-08
<b>OOPSI PAD</b>	United States of America	201300-00145	Registered	75/830944 / 25-Oct-99	2401938 / 07-Nov-00	07-Nov-10
<b>ORTHO NAPPER</b>	United States of America	201300-00130	Registered	75/392959 / 19-Nov-97	2217277 / 12-Jan-99	12-Jan-09
<b>PETNAPPER</b>	United States of America	201300-00128	Registered	75/392678 / 19-Nov-97	2249058 / 01-Jun-99	01-Jun-09
<b>SNUGGLE BALL</b>	Canada	201300-00152	Registered	1062182 / 07-Jun-00	569238 / 22-Oct-02	22-Oct-17
	United Kingdom	201300-00153	Registered	2235166 / 07-Jun-00	2235166 / 07-Jun-00	07-Jun-10
	United States of America	201300-00149	Registered	76/019313 / 06-Apr-00	2433631 / 06-Mar-01	06-Mar-11
<b>SNUGGLER</b>	United States of America	201300-00070	Registered	74/118891 / 28-Nov-90	1671759 / 14-Jan-92	14-Jan-12
<b>STERI-LON</b>	United States of America	201300-00024	Registered	420060 / 04-Apr-83	1294394 / 11-Sep-84	11-Sep-04



**EXHIBIT C**  
**LICENSES**

**Instrument                      Date                      Parties                      Subject of License                      Term**

None.

**EXHIBIT D****PATENTS**Patents and patent applications:

Title	Country Name	Status	Our File No.	Appl. No. / Filing Date	Patent No. / Issue Date	Expiration Date
INVENTORY CONTROL CARTON WITH TWO COMPARTMENTS AND METHOD OF USING SAME	United States of America	Pending	201300-00155	09/696,510 / 10-Apr-2003		
PET BED WITH REMOVABLE BOLSTER	United States of America	Granted	201300-00112	08/634,374 / 18-Apr-1996	5,765,502 / 16-Jun-1998	18-Apr-2016
PET PERCH FOR ATTACHMENT TO A WINDOW SILL	France	Granted	201300-00099	9311145 / 14-Sep-1993	2700441 / 02-Feb-1996	14-Sep-2013
PET PERCH FOR ATTACHMENT TO A WINDOW SILL	Italy	Granted	201300-00096	M093A001869 / 31-Aug-1993	01272541 / 23-Jun-1997	31-Aug-2013
PET PERCH FOR ATTACHMENT TO A WINDOW SILL	United States of America	Granted	201300-00091	08/006,462 / 21-Jan-1993	5,351,648 / 04-Oct-1994	21-Jan-2013
PET PERCH FOR ATTACHMENT TO A WINDOW SILL	United States of America	Granted	201300-00103	08/250,549 / 27-May-1994	5,509,373 / 23-Apr-1996	23-Apr-2013
PILLOW BED	United States of America	Pending	201300-00003	06/907,498 / 15-Sep-1986		
TREATED FABRIC	Canada	Granted	201300-00004	446235 / 27-Jan-1984	1227022 / 22-Sep-1987	22-Sep-2004

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