

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT		
NATURE OF CONVEYANCE:	SECURITY INTEREST		
CONVEYING PARTY DATA			
Name	Formerly	Execution Date	Entity Type
Kiddie Kandids, LLC		08/10/2006	LIMITED LIABILITY COMPANY: DELAWARE
Kiddie Kandids Holdings, LLC		08/10/2006	LIMITED LIABILITY COMPANY: DELAWARE
RECEIVING PARTY DATA			
Name:	CapitalSource Finance LLC, as Agent		
Street Address:	4445 Willard Avenue, 12th Floor		
City:	Chevy Chase		
State/Country:	MARYLAND		
Postal Code:	20815		
Entity Type:	LIMITED LIABILITY COMPANY: DELAWARE		
PROPERTY NUMBERS Total: 1			
Property Type	Number	Word Mark	
Registration Number:	1686368	KIDDIE KANDIDS	
CORRESPONDENCE DATA			
Fax Number:	(703)415-1557		
	<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>		
Phone:	703-415-1555		
Email:	mail@specializedpatent.com		
Correspondent Name:	Christopher E. Kondracki		
Address Line 1:	2001 Jefferson Davis, Hwy., Suite 1007		
Address Line 4:	Arlington, VIRGINIA 22202		
ATTORNEY DOCKET NUMBER:	6080803 C		
NAME OF SUBMITTER:	Christopher E. Kondracki		
Signature:	/Christopher E. Kondracki/		

CH \$40.00 1686368

Date:

08/24/2006

Total Attachments: 10

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INTELLECTUAL PROPERTY SECURITY AGREEMENT

INTELLECTUAL PROPERTY SECURITY AGREEMENT, dated as of August 10, 2006 (this "**Agreement**"), made by and among **KIDDIE KANDIDS, LLC**, a Delaware limited liability company (the "**Borrower**") and **KIDDIE KANDIDS HOLDINGS, LLC**, a Delaware limited liability company (together with the Borrower, individually, a "**Credit Party**" and collectively, the "**Credit Parties**"), in favor of **CAPITALSOURCE FINANCE LLC**, a Delaware limited liability company as administrative and collateral agent (in such capacities, the "**Agent**") for itself and the Lender Parties (as defined in the Credit Agreement defined below).

W I T N E S S E T H:

A. Pursuant to the Credit Agreement dated as of August 10, 2006 by and among the Credit Parties, Agent and the Lender Parties (as amended, supplemented or otherwise modified from time to time the "**Credit Agreement**") and the Security Agreement dated as of August 10, 2006 by and among the Credit Parties and the Agent (as amended, supplemented or otherwise modified from time to time the "**Security Agreement**"), the Credit Parties have granted a security interest to Agent, for the benefit of itself and the Lender Parties, in, among other things, all right, title and interest of the Credit Parties in, to and under all of the Credit Parties' Intellectual Property (as defined below), whether now existing or hereafter arising or acquired as security for the Obligations from time to time owing by the Credit Parties under the Credit Agreement; and

B. Each Credit Party is the owner of the entire right, title and interest in, to and under such Credit Party's respective Intellectual Property listed on Schedule 1 hereto.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce the Agent and Lender Parties to enter into the Credit Agreement, the Credit Parties hereby agree with the Agent as follows:

1. Defined Terms.

(a) **Definitions.** All capitalized terms used herein but not otherwise defined have the meanings given to them in the Credit Agreement or in Annex A thereto, or in the Security Agreement, as applicable.

(b) **Definitions of Certain Terms Used Herein.** As used herein, the following terms shall have the following meanings:

"Copyrights" shall mean all of the following now owned or hereafter adopted or acquired by any Credit Party: (i) all copyrights and General Intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state or

territory thereof, or any other country or any political subdivision thereof; and (ii) all reissues, extensions or renewals thereof.

“Copyright Licenses” shall mean, any and all rights now owned or hereafter acquired by any Credit Party under any written agreement granting any right to use any Copyright or Copyright registration.

“Intellectual Property” shall mean all: (i) Trademarks and Trademark Licenses; (ii) Patents and Patent Licenses; (iii) Copyrights and Copyright Licenses; (iv) goodwill of the business symbolized by any Trademark, Trademark License, Patent, Patent License, Copyright or Copyright License, including, without limitation, records relating to the distribution of products or services bearing such Trademark, Patent or Copyright; (v) all customer lists and customer information, (vi) all income, fees, royalties and other payments at any time due or payable with respect to any Trademark, Patent or Copyright, including, without limitation, payments under all Licenses at any time entered into in connection therewith; (vii) books, records, writings, computer tapes or disks, flow diagrams, specification sheets, computer software, source codes, object codes, executable code, data, databases and other physical manifestations, embodiments or incorporations of any Trademark, Trademark License, Patent, Patent License, Copyright or Copyright License; (viii) the right to sue for all past, present and future infringements of any Trademark, Patent or Copyright; (ix) all other intellectual property; and (x) all common law and other rights throughout the world in and to all of the foregoing.

“IP Collateral” shall have the meaning assigned to such term in Section 2 hereof.

“Licenses” shall mean, collectively, the Trademark Licenses, the Patent Licenses, and the Copyright Licenses.

“Patents” shall mean all of the following in which any Credit Party now holds or hereafter acquires any interest: (i) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or of any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State or any other country, and (ii) all reissues, continuations, continuations-in-part or extensions thereof.

“Patent Licenses” shall mean rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right with respect to any invention on which a Patent is in existence.

“Trademarks” shall mean all of the following now owned or hereafter adopted or acquired by any Credit Party: (i) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, internet domain names, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications (other than intent-to-use applications) in connection therewith, including registrations, recordings and applications (other than intent-to-

use applications) in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (ii) all reissues, extensions or renewals thereof; and (iii) all goodwill associated with or symbolized by any of the foregoing.

“Trademark Licenses” shall mean rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right to use any Trademark.

(c) **Other Definitional Provisions.**

(i) The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section and paragraph references are to this Agreement unless otherwise specified.

(ii) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

2. Grant of Security Interest. To secure the payment and performance of the Secured Obligations, each Credit Party hereby confirms and acknowledges that it has granted, assigned and conveyed (and, to the extent not previously granted under the Security Agreement, does hereby grant, assign and convey) to Agent for the benefit of itself and the Lender Parties a security interest in such Credit Party’s entire right, title and interest in its respective Intellectual Property and all proprietary rights relating to or arising from such Intellectual Property, in each case whether now owned or hereafter acquired by such Credit Party, and including, without limitation, each Credit Party’s right, title and interest in and to each Intellectual Property and proprietary rights identified on Schedule 1 attached hereto and made a part hereof (referred to collectively as the “**IP Collateral**”).

3. Protection of Intellectual Property by Credit Parties. The Credit Parties shall, at their sole cost, expense and risk, undertake the following with respect to the Intellectual Property:

(a) Pay all renewal fees and other fees and costs associated with maintaining the Intellectual Property and with the processing of the Intellectual Property and take all other reasonable and necessary steps to maintain each registration of the Intellectual Property.

(b) Take all actions reasonably necessary to prevent any of the Intellectual Property from becoming forfeited, abandoned, dedicated to the public, invalidated or impaired in any way.

(c) Pursue the prompt, diligent processing of each application for registration which is the subject of the security interest created herein and not abandon or delay any such efforts.

(d) Take any and all action which the Credit Parties reasonably deem appropriate under the circumstances to protect the Intellectual Property from infringement,

misappropriation or dilution, including, without limitation, the prosecution and defense of infringement actions.

4. **Representations and Warranties.** Each Credit Party represents and warrants that:

(a) Schedule I is a true, correct and complete list of all Intellectual Property owned by the Credit Parties as of the date hereof.

(b) Except as set forth in Schedule I, none of the Intellectual Property is the subject of any licensing or franchise agreement pursuant to which any Credit Party is the licensor or franchisor.

(c) The Intellectual Property identified on Schedule I hereto is valid and enforceable and no claim has been made that the use of any of the Intellectual Property does or may violate the rights of any third person, and no material claim has been asserted and is pending by any Person challenging or questioning the use by any Credit Party of any of the Intellectual Property owned by any Credit Party or the validity or effectiveness of any of the Intellectual Property owned by any Credit Party, nor does any Credit Party know of any valid basis for any such claim.

(d) Each Credit Party owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted, and such Credit Party is the sole and exclusive owner of the entire right, title and interest in, under and to, free and clear of any liens, charges and encumbrances, the Intellectual Property, other than Permitted Liens and Liens in favor of the Agent.

(e) No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of, or any Credit Party's rights in, any Intellectual Property in any respect that could reasonably be expected to have a Material Adverse Effect on the business or the property of any Credit Party.

(f) Each Credit Party has the legal right and authority to enter into this Agreement and perform its terms.

(g) The Credit Parties shall give the Agent written notice (with reasonable detail) within ten (10) days following the occurrence of any of the following:

(i) The Credit Parties' obtaining rights to, and filing applications for registration of, any new Intellectual Property, or otherwise acquiring ownership of any newly registered Intellectual Property.

(ii) The Credit Parties' becoming entitled to the benefit of any registered Intellectual Property whether as licensee or licensor.

(iii) The Credit Parties' entering into any new Licenses.

(iv) The Credit Parties' knowing or having reason to know, that any application or registration relating to any material Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court or tribunal) regarding the Credit Parties' ownership of, or the validity of, any material Intellectual Property or the Credit Parties' right to register the same or to own and maintain the same.

(h) No Credit Party shall enter into any new Licenses except as provided for, and pursuant to the terms and provisions of, the Credit Agreement and the Security Agreement.

5. **No Violation of Credit Agreement or Security Agreement.** None of the representations, warranties or covenants contained herein shall be construed to differ from any representation, warranty or covenant contained in the Credit Agreement or the Security Agreement.

6. **Agreement Applies to Future Intellectual Property.**

(a) The provisions of this Agreement shall automatically apply to any such additional property or rights described in Sections 4(g)(i), 4(g)(ii) and 4(g)(iii) above, all of which shall be deemed to be and treated as "Intellectual Property" within the meaning of this Agreement.

(b) Upon the reasonable request of the Agent, the Credit Parties shall execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Agent may request to evidence the Agent's security interest in any Intellectual Property and the goodwill of the Credit Parties relating thereto or represented thereby (including, without limitation, filings with the United States Patent and Trademark Office or any similar office), and the Credit Parties hereby constitute the Agent as their attorney-in-fact to execute and file all such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; *provided, however*, the Agent's taking of such action shall not be a condition to the creation or perfection of the security interest created hereby.

7. **Credit Parties' Rights To Enforce Intellectual Property.** Prior to the Agent's giving of notice to the Credit Parties (i) following the occurrence of an Event of Default or (ii) pursuant to Section 8(a) below, the Credit Parties shall have the exclusive right to sue for past, present and future infringement of the Intellectual Property including the right to seek injunctions and/or money damages, in an effort by the Credit Parties to protect the Intellectual Property against encroachment by third parties, *provided, however*:

(a) The Credit Parties first provide the Agent with written notice of the Credit Parties' intention to so sue for enforcement of any Intellectual Property. If, in the reasonable opinion of the Agent, the Credit Parties have failed to take appropriate action within sixty (60) days after such notice is given to Agent, upon notice to the Credit Parties, the Agent may (but shall not be required to) itself take such action in the name of the Credit Parties.

(b) Any money damages awarded or received by the Credit Parties on account of such suit (or the threat of such suit) shall constitute IP Collateral.

(c) Any damages recovered in any action pursuant to this Section, net of costs and attorneys' fees reasonably incurred, to be applied as provided in the Credit Agreement and the Security Agreement.

(d) Following the occurrence of any Event of Default, the Agent, by notice to the Credit Parties may terminate or limit the Credit Parties' rights under this Section 7.

8. Agent's Actions To Protect Intellectual Property. In the event of:

(a) the Credit Parties' failure to cure any failure by the Credit Parties to observe or perform any of the Credit Parties' covenants, agreements or other obligations hereunder; and/or

(b) the occurrence and continuance of any other Event of Default,

the Agent, acting in its own name or in that of the Credit Parties, may (but shall not be required to) act in the Credit Parties' place and stead and/or in the Agent's own right in connection therewith.

9. Rights Upon Default. Upon the occurrence of any Event of Default, the Agent may exercise all rights and remedies as provided for in the Credit Agreement and the Security Agreement and under applicable law.

10. Agent as Attorney In Fact.

(a) The Credit Parties hereby irrevocably constitute and designate the Agent as and for the Credit Parties' attorney in fact, effective following the occurrence and during the continuance of an Event of Default:

(i) To supplement and amend from time to time Schedule I of this Agreement to include any new or additional Intellectual Property of the Credit Parties.

(ii) To exercise any of the rights and powers referenced herein.

(iii) To execute all such instruments, documents, and papers as the Agent determines to be appropriate in connection with the exercise of such rights and remedies and to cause the sale, license, assignment, transfer, or other disposition of the Intellectual Property.

(b) The within grant of a power of attorney, being coupled with an interest, shall be irrevocable until this Agreement is terminated by a duly authorized officer of the Agent.

(c) The Agent shall not be obligated to do any of the acts or to exercise any of the powers authorized by Section 10, but if the Agent elects to do any such act or to exercise any of such powers, it shall not be accountable for more than it actually receives as a result of such exercise of power, and shall not be responsible to any Credit Party for any act or omission to act except for any act or omission to act as to which there is a final determination made in a judicial proceeding (in which proceeding the Agent has had an opportunity to be heard) which

determination includes a specific finding that the subject act or omission to act had been grossly negligent or in actual bad faith.

11. **Agent's Rights.** Any use by the Agent of the Intellectual Property, as authorized hereunder in connection with the exercise of the Agent's rights and remedies under this Agreement and under the Credit Agreement and the Security Agreement shall be coextensive with the Credit Parties' rights thereunder and with respect thereto and without any liability for royalties or other related charges.

12. **No Limitation; Security Agreement.** This Agreement has been executed and delivered by the Credit Parties for the purpose of recording the security interest granted to the Agent with respect to the IP Collateral with the United States Patent and Trademark Office. The security interest granted hereby has been granted as a supplement to, and not in limitation of, the security interest granted to the Agent under the Security Agreement. The Security Agreement (and all rights and remedies of the Credit Parties, the Agent, and the Lender Parties thereunder) shall remain in full force and effect in accordance with its terms. In the event of a conflict between this Agreement and the Security Agreement, the terms of this Agreement shall control with respect to the IP Collateral and the Security Agreement with respect to all other Collateral.

13. **Termination; Release of Trademark Collateral.** This Agreement and all obligations of the Credit Parties and the Agent hereunder shall terminate on the date upon which the Obligations are performed in full and indefeasibly paid in full in cash and the Credit Agreement, the Security Agreement and other Loan Documents are terminated in accordance with the terms of the Credit Agreement. Upon termination of this Agreement, the Agent shall, at the expense of the Credit Parties, take such actions required by the Credit Agreement and the Security Agreement to release its security interest in the IP Collateral.

14. **Binding Effect; Benefits.** This Agreement shall be binding upon the Credit Parties and their respective successors and assigns, and shall inure to the benefit of the Agent, the Lender Parties and their respective successors and assigns.

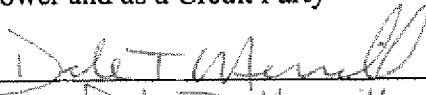
15. **GOVERNING LAW.** THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ITS CHOICE OF LAW PROVISIONS!

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Signature Page to Kiddie Kandids IP Security Agreement

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

KIDDIE KANDIDS, LLC,
as Borrower and as a Credit Party

By: 
Name: Dale T. Merrill
Title: COO & Secretary

KIDDIE KANDIDS HOLDINGS, LLC, as a Credit Party

By: 
Name: Dale T. Merrill
Title: COO & Secretary

CAPITALSOURCE FINANCE LLC,
as Agent

By: _____
Name: _____
Title: _____

Signature Page to Kiddie Kandids IP Security Agreement

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

KIDDIE KANDIDS, LLC,
as Borrower and as a Credit Party

By: _____
Name: _____
Title: _____

KIDDIE KANDIDS HOLDINGS, LLC, as a Credit Party

By: _____
Name: _____
Title: _____

CAPITALSOURCE FINANCE LLC,
as Agent

By: Shaila Lakhani Ohri
Name: Shaila Lakhani Ohri
Title: Senior Counsel

Schedule I

Owner	Trademark or Servicemark	Registration / Application Number	Registration / Filing Date
Kiddie Kandids, LLC	KIDDIE KANDIDS	1,686,368	May 12, 1992

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