

02-28-2002



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Form PTO-1594 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002) Tab settings

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.

Handwritten number 9728-03

1. Name of conveying party(ies): SERGEANT'S PET CARE PRODUCTS, INC. [] Individual(s) [] Association [] General Partnership [] Limited Partnership [x] Corporation-State Nevada [] Other Additional name(s) of conveying party(ies) attached? [] Yes [] No

2. Name and address of receiving party(ies) Name: LaSalle Business Credit, Inc. Internal Address: 135 S. LaSalle Street Street Address: City: Chicago State: IL Zip: 60603 [] Individual(s) citizenship [] Association [] General Partnership [] Limited Partnership [x] 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 [x] Security Agreement [] Change of Name [] Other Execution Date: September 25, 2001

4. Application number(s) or registration number(s): A. Trademark Application No.(s) See Attached Exhibit A

B. Trademark Registration No.(s) 1593298 See Attached Exhibit A Additional number(s) attached [] Yes [] No

5. Name and address of party to whom correspondence concerning document should be mailed: Name: Elizabeth J. Burns Internal Address: Latham & Watkins Street Address: 233 S. Wacker Drive Suite 5800 City: Chicago State: IL Zip: 60606

6. Total number of applications and registrations involved: 48 7. Total fee (37 CFR 3.41): \$1,215.00 [x] Enclosed [] Authorized to be charged to deposit account 8. Deposit account number: (Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature. To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Elizabeth J. Burns Name of Person Signing Signature Date February 27, 2002

Total number of pages including cover sheet, attachments, and document: 15

02/28/2002 DBYRNE 00000262 1593298

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

01 FC:481 40.00 OP 02 FC:482 1175.00 OP

TRADEMARK REEL: 002450 FRAME: 0461

Exhibit A
Trademarks

Mark	Application No.	Filing Date	Registration No.	Registration Date
PEOPLE CRACKERS			1,593,298 843,886	04/24/90 Mexico
LOLLI-PUPS			569,205	01/13/53
DOGGIE DONUTS			1,273,795	04/10/84
SAY CHEESE			848,256	Mexico
SIRLOINS	76/015,808	04/03/2000		
MUNCHEEZ BEEF AND CHEESE TREAT			2,084,349	07/29/97
SCHNITZEL SNACKS			1,691,000	06/02/92
STEAKHOUSE STRIPS	76/193,156	01/16/01		
NUTRI-DOG BARS	76/057,760	05/26/2000		
SEASON'S TREATINGS	76/073,539	06/19/2000		
DOG NOG	76/071,358	06/16/2000		
BEER BONES	76/073,519	06/19/2000		
NUTRI-CAT	76/146,796	10/16/2000		
TREAT-TABS	76/146,794	10/16/2000		
DENTA FRESH	76/084,356	07/07/2000		
DENTAPLUS	76/234,574	04/02/01		
ON POINT	76/100,352	05/08/2000		
CATNIPTIONS	76/146,795	10/16/2000		
TROPICAL TREATS	76/193,155	01/16/01		
IT'S A DOG'S LIFE	76/001,573	03/16/2000		
LICKS & KISSES	76/015,809	04/03/2000		
PURRSCRIPTIONS	76/146,793	10/16/2000		
PURRSUASIONS	76/146,792	10/16/2000		
PURRS	76/146,791	10/16/2000		
PURRSONALS	76/146,790	10/16/2000		
CHEESEWICHES	76/175,987	12/05/2000		
TREATWICHES	76/175,986	12/05/2000		
CAT LIFE			1,594,475	05/01/90
BURGLAR CONFIGURATION			1,657,561	09/17/91
DOG CATCHER CONFIGURATION			1,651,611	07/23/91
MAILMAN CONFIGURATION			1,667,782	10/10/91
MILK MAN CONFIGURATION			1,651,612	07/23/91
POLICEMAN CONFIGURATION			1,649,626	07/02/91
TREATERS			1,461,227	10/13/87
DOG LIFE AND DESIGN			577,878	07/28/53
DOG LIFE TASTY VITTLES AND DESIGN			748,854	04/30/63

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HI-LIFE AND DESIGN			389,548	08/12/41
LOLLI-PUPS CANADA			209,689	09/26/75
LOLLI-PUPS AND DESIGN			569,205	01/13/57
MY DOGGIES BAG			1,460,847	10/13/87
PEOPLE CRACKERS (MEXICO)			552,254	Not Available
TRAIL CALL			889,124	04/07/70
DOG HEAD LOGO			1,882,414	03/07/95
CAT HEAD LOGO			1,859,904	
HI-LIFE			1,878,815	02/14/95
FANTASY			1,508,487	10/25/94
LOVE MY CAT			1,422,199	12/23/86
ME & MY CAT			1,461,218	10/13/87
ME & MY DOG			1,393,471	05/13/86
PICK-OF-THE-LITTER			1,476,130	02/09/88
TRAINING WHEELS			1,839,060	06/07/94

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TRADEMARK AND LICENSE MORTGAGE

THIS TRADEMARK AND LICENSE MORTGAGE ("Mortgage") made as of this 25 day of ~~June~~, 2001, by SERGEANT'S PET CARE PRODUCTS, INC., a Nevada corporation, with its principal place of business at 14748 W. Center Road, Suite 303, Omaha, NE 678144 ("Mortgagor"), in favor of LASALLE BUSINESS CREDIT, INC., with an office at 135 South LaSalle Street, Chicago, Illinois 60603 ("Mortgagee"):

WITNESSETH:

WHEREAS, Pet Life Foods, Inc., an Illinois corporation ("Borrower") and Mortgagee are parties to a certain Loan and Security Agreement ("Security Agreement") and other related loan documents dated as of June 21, 1999 (collectively, with the Security Agreement, "Loan Agreements"), which Loan Agreements provide (i) for Mortgagee to, from time to time, extend credit to or for the account of Borrower and (ii) for the grant by Borrower to Mortgagee of a security interest in certain of Borrower's assets including, without limitation, its patents, patent applications, trademarks, trademark applications, tradenames, service marks, service mark applications, goodwill and licenses;

WHEREAS, Mortgagor has consented to the sale by Borrower of those trademarks listed on Exhibit A hereto to Mortgagee pursuant to that certain Trademark License and Transfer Agreement (the "Sale Agreement") executed by Borrower and Mortgagor on even date herewith; provided Mortgagor grant Mortgagee a security interest in the trademarks identified on Exhibit A and consents to the terms and provisions of this Agreement;

WHEREAS, Mortgagor will derive direct and indirect economic benefits from the making of the Loans under the Security Agreement and the purchase of the trademarks listed on Exhibit A from Borrower;

NOW, THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, Mortgagor agrees as follows:

1. Mortgage of Trademarks and Licenses. To secure the complete and timely satisfaction of all of Borrower's "Liabilities" (under and as defined in the Security Agreement) and as a condition to Mortgagee's consent to the sale of the trademarks identified on Exhibit A pursuant to the Sale Agreement, Mortgagor hereby grants, bargains, assigns, mortgages, pledges, sells, creates a security interest in, transfers and conveys to Mortgagee, as and by way of a first mortgage and security interest having priority over all other security interests, with power of sale, to the extent permitted by law, upon the occurrence of an "Event of Default" (in and as defined under the Security Agreement, hereinafter, an "Event of Default") all of Mortgagor's right, title and interest in and to all of its now existing and hereafter created or acquired:

(i) trademarks, trademark registrations, trademark applications, tradenames and tradestyles, service marks, service mark registrations and service mark applications

including, without limitation, the trademarks, tradenames, service marks and applications and registrations thereof listed on Exhibit A attached hereto and hereby made a part hereof, and (a) renewals or extensions thereof, (b) all income, damages and payments now and hereafter due or payable with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (c) the right to sue for past, present and future infringements thereof, and (d) all rights corresponding thereto throughout the world (all of the foregoing trademarks, tradenames and tradestyles, service marks and applications and registrations thereof, together with the items described in clauses (a)-(d) of this subsection 1(i), are sometimes hereinafter referred individually as a "Trademark" and, collectively, as "Trademarks");

(ii) all license agreements with respect to any of the Trademarks or any other trademark, service mark or any application or registration thereof or any other tradename or tradestyle between Mortgagor and any other party, whether Mortgagor is a licensor or licensee under any such license agreement including, without limitation, the licenses listed on Exhibit B attached hereto and hereby made a part hereof (all of the foregoing license agreements and Mortgagor's rights thereunder are referred to collectively as "Licenses"); and

(iii) the goodwill of Mortgagor's business connected with and symbolized by the Trademarks.

2. Warranties and Representations. Mortgagor warrants and represents to Mortgagee that:

(i) To the best of its knowledge, the Trademarks and Licenses have not been adjudged invalid or unenforceable and have not been cancelled, in whole or in part, and are presently subsisting;

(ii) To the best of its knowledge, each of the Trademarks and Licenses is valid and enforceable;

(iii) To the best of its knowledge, Mortgagor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Trademarks free and clear of any liens, charges and encumbrances including, without limitation, licenses, shop rights and covenants by Mortgagor not to sue third persons;

(iv) Mortgagor has no notice of any suits or actions commenced or threatened with reference to the Trademarks or Licenses; and

(v) Mortgagor has the right to execute and deliver this Mortgage and perform its terms and has entered into or will enter into written agreements with each of its present and future employees, agents and consultants which will enable it to comply with the covenants contained herein.

3. Restrictions on Future Agreements. Mortgagor agrees that until Borrower's Liabilities (in and as defined under the Security Agreement) shall have been satisfied in full and the Loan Agreements shall have been terminated or the conditions set forth in paragraph 19 have been satisfied, Mortgagor shall not sell or assign its interest in, or grant any license under, the Trademarks or Licenses, or enter into any other agreement with respect to the Trademarks or Licenses which is inconsistent with Mortgagor's obligations under this Mortgage, without the prior written consent of Mortgagee which consent shall not be unreasonably withheld, and Mortgagor further agrees that it shall not take any action, or permit any action to be taken by others subject to its control, including licensees, or fail to take any action (solely with respect to the Tradenames), which would affect the validity or enforcement of the rights transferred to Mortgagee under this Mortgage. Mortgagor acknowledges that a license has been granted to Borrower with respect to the Trademarks.

4. Royalties; Terms. The term of the mortgages granted herein shall extend until the earlier of (i) the date on which the conditions set forth in Section 19(a) and (b) hereof have been met or (ii) Borrower's Liabilities (in and as defined under the Security Agreement) have been paid in full and the Loan Agreements have been terminated. Upon the occurrence of an Event of Default (in and as defined under the Security Agreement, hereinafter, an, "Event of Default") and foreclosure by Mortgagee, Mortgagor agrees that the use by Mortgagee of all Trademarks and Licenses shall be worldwide and without any liability for royalties or other related charges from Mortgagee to the Mortgagor.

5. Grant of License to Mortgagor. Unless and until an Event of Default shall have occurred, Mortgagee hereby grants to Mortgagor the exclusive, right and license to use the Trademarks in the ordinary course of its business, to exercise Mortgagee's rights under the Licenses, and to make, have made, use and sell the inventions disclosed and claimed in the Trademarks for Mortgagor's own benefit and account and for none other. Mortgagor agrees not to sell or assign its interest in, or grant any sublicense under, the license granted to Mortgagor in this Section 5, without the prior written consent of Mortgagee which consent shall not unreasonably withheld. From and after the occurrence of an Event of Default and upon written notice from Mortgagor, Mortgagor's license with respect to the Trademarks and Licenses set forth in this Section 5 shall terminate forthwith, and Mortgagee shall have, in addition to all other rights and remedies given it by this Mortgage, those allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any of the jurisdictions in which the Trademarks or Licenses may be located.

6. Release of Mortgage. This Mortgage is made for collateral purposes only. Upon the earlier of (a) payment in full of Borrower's Liabilities (in and as defined under the Security Agreement) and termination of the Loan Agreements or (b) the date on which the conditions set forth in Section 19(a) and (b) hereof have been met, Mortgagee shall execute and deliver to Mortgagor all deeds, assignments and other instruments, and shall take such other actions, as may be necessary or proper to re-vest in Mortgagor full title to the Trademarks and Licenses, subject to any disposition thereof which may have been made by Mortgagee pursuant hereto or pursuant to the Loan Agreements. Mortgagee acknowledges and agrees that any lender to Mortgagor shall be entitled to use the Trademarks solely to sell or liquidate any collateral

consisting of inventory of Mortgagor as security for Mortgagor's debt. Such right to sell or liquidate such collateral shall be assignable by Mortgagor's lenders to third parties.

7. Duties of Mortgagor. To the extent that any trademark or service mark has material economic value, Mortgagor shall have the duty (i) to preserve and maintain all rights in the Trademarks and Licenses, and (ii) to ensure that the Patents, Trademarks and Licenses are and remain enforceable. Any expenses incurred in connection with Mortgagor's obligations under this Section 7 shall be borne by Mortgagor.

8. Mortgagee's Right to Sue. After the occurrence of an Event of Default, Mortgagee shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce the Trademarks and Licenses and, if Mortgagee shall commence any such suit, Mortgagor shall, at the request of Mortgagee, do any and all lawful acts and execute any and all proper documents required by Mortgagee in aid of such enforcement and Mortgagor shall promptly, upon demand, reimburse and indemnify Mortgagee for all reasonable costs and expenses incurred by Mortgagee in the exercise of its rights under this Section 8.

9. Waivers. No course of dealing between Mortgagor and Mortgagee, nor any failure to exercise, nor any delay in exercising, on the part of Mortgagee, any right, power or privilege hereunder or with respect to Borrower under the Loan Agreements shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

10. Severability. The provisions of this Mortgage are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Mortgage in any jurisdiction.

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

12. Cumulative Remedies; Power of Attorney; Effect on Financing Agreement. All of Mortgagee's rights and remedies with respect to the Trademarks and Licenses, whether established hereby or by any other agreements or by law shall be cumulative and may be exercised singularly or concurrently. Upon the occurrence of an Event of Default and after notice to Mortgagor, Mortgagor hereby authorizes Mortgagee to make, constitute and appoint any officer or agent of Mortgagee as Mortgagee may select, in its sole discretion, as Mortgagor's true and lawful attorney-in-fact, with power to (i) endorse Mortgagor's name on all applications, documents, papers and instruments necessary or desirable for Mortgagee in the use of the Trademarks and Licenses, or (ii) take any other actions with respect to the Trademarks and Licenses as Mortgagee deems to be in the best interest of Mortgagee, or (iii) grant or issue any exclusive or non-exclusive license under the Trademarks or Licenses to anyone, or (iv) assign, pledge, convey or otherwise transfer title in or dispose of the Trademarks or Licenses to anyone. Mortgagee hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue

hereof. This power of attorney shall be irrevocable until Borrower's Liabilities shall have been paid in full and the Security Agreement, including any amendments thereto, has been terminated or the conditions set forth in paragraph 19 hereof have been met. Mortgagor acknowledges and agrees that this Mortgage is not intended to limit or restrict in any way the rights and remedies of Mortgagee under the Loan Agreements but rather is intended to facilitate the exercise of such rights and remedies. Mortgagee shall have, in addition to all other rights and remedies given it by the terms of this Mortgage, all rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Trademarks or Licenses may be located.

13. Binding Effect; Benefits. This Mortgage shall be binding upon the Mortgagor and its respective successors and assigns, and shall inure to the benefit of Mortgagee, its successors, nominees and assigns.

14. Governing Law. This Mortgage shall be governed by and construed in accordance with the internal laws of the State of Illinois.

15. Headings. Paragraph headings used herein are for convenience only and shall not modify the provisions which they precede.

16. Further Assurances. Mortgagor agrees to execute and deliver such further agreements, instruments and documents, and to perform such further acts, as Mortgagee shall reasonably request from time to time in order to carry out the purpose of this Mortgage and agreements set forth herein.

17. Survival of Representations. All representations and warranties of Mortgagor contained in this Mortgage shall survive the execution and delivery of this Mortgage and shall be remade on the date of each borrowing by Borrower under the Loan Agreements.

18. Limitation. Notwithstanding anything contained herein to the contrary, the aggregate amount of Liabilities (in and as defined in the Security Agreement) secured by this Mortgage shall not exceed \$350,000 (the "Secured Amount"); provided, however that (1) the Secured Amount shall be reduced by \$200,000 at such time as Borrower is permitted to make certain royalty payments to Mortgagor as set forth in Paragraph 14(q) of the Security Agreement or Mortgagor pays \$200,000 to Mortgagee, and (2) the Secured Amount shall be reduced by \$150,000 at such time as (A)(i) Borrower requests that Mortgagee make such reduction, (ii) no Accounts (in and as defined under the Security Agreement) owing from Sergeant's shall be deemed Eligible Accounts (in and as defined under the Security Agreement), and (iii) no Default (in and as defined under the Security Agreement) or Event of Default shall have occurred and be continuing, or (B) Mortgagor pays \$150,000 to Mortgagee, provided that, no Accounts (in and as defined under the Security Agreement) owing from Sergeant's shall be deemed Eligible Accounts (in and as defined under the Security Agreement) .

[signature page follows]

IN WITNESS WHEREOF, Mortgagor has duly executed this Mortgage in favor of Mortgagee as of the date first written above.

ATTEST:

SERGEANT'S PET CARE PRODUCTS, INC.,

Title: _____

By: _____
Title: _____

AGREED AND ACCEPTED this ____ day
of, 2001

LASALLE BUSINESS CREDIT, INC.

By: *William A. Stapp*
Title: *P.V.P.*

THIS INSTRUMENT PREPARED BY AND
AFTER FILING RETURN TO:

Jennifer P. Kotler, Esq.
Latham & Watkins
5800 Sears Tower
Chicago, Illinois 60606

IN WITNESS WHEREOF, Mortgagor has duly executed this Mortgage in favor of Mortgagee as of the date first written above.

ATTEST:

Kurt Mank
Title: _____

SERGEANT'S PET CARE PRODUCTS, INC.,

By: *Robert Schaefer*
Title: President

AGREED AND ACCEPTED this ____ day
of, 2001

LASALLE BUSINESS CREDIT, INC.

By: _____
Title: _____

THIS INSTRUMENT PREPARED BY AND
AFTER FILING RETURN TO:

Jennifer P. Kotler, Esq.
Latham & Watkins
5800 Sears Tower
Chicago, Illinois 60606

Exhibit A
Trademarks

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PICK-OF-THE-LITTER			1,476,130	02/09/88
TRAINING WHEELS			1,839,060	06/07/94

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EXHIBIT B

Licenses

The licenses described in this Agreement.