

FORM PTO-1595(modified) RECORDATION FORM COVER SHEET PATENTS ONLY U.S. Department of Commerce 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): Shower Flower, Inc.
2. Name and address of receiving party(ies): Name: James and Kimberley Osborne
3. Nature of Conveyance: Security Agreement
Effective Date: January 14, 2003

4. Application number(s) or patent number(s):
If this document is being filed with a new application, the execution date of the application is:
A. Patent Application No.(s) 10/275,050
B. Patent No.(s)

5. Name and address of party to whom correspondence concerning document should be mailed: William Bak, Esquire
6. Total number of applications and Patents Involved: 1
7. Total fee (37 CFR 3.41): \$ 40.00
8. Deposit account number: 08-3040

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.
Signature: William Bak
Date: February 20, 2004

Faxed documents to be recorded with required coversheet information to: Commissioner for Patents, Mail Stop Assignment Recordation Service, P.O. Box 1450, Alexandria, VA 22313-1450

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## SECURITY AGREEMENT

AGREEMENT made as of this 19<sup>th</sup> day of January, 2003, by Shower Flower, ("Debtor"), a Pennsylvania corporation with its principal place of business located at 748 Bethlehem Pike, Suite 98, Spring House, Pa. 19477, and James and Kimberley Osborne ("Secured Parties") with a mailing address of 704 Abbeydale Court, Ambler, Pa. 19002, and James Osborne or his nominee shall act as agent herein on behalf of the Secured Parties.

### Background of Agreement

Debtor has received funds as loans from Secured Parties in connection with its ongoing operations and planned activities ("Loan"). One of the conditions for making the Loan is that Debtor required to enter into this Security Agreement. Accordingly, Debtor has agreed to provide a first lien on all of its personal property in order to collateralize certain outstanding obligations owed to Secured Parties from time to time.

Debtor acknowledges that Secured Party's willingness to provide the Loan to Debtor and execute this Agreement is based, in part, upon Debtor's agreement to grant to Secured Parties a consensual lien and perfected security interest in and to the Collateral (as hereinafter defined), to secure Debtor's Obligations (as hereinafter defined).

NOW, THEREFORE, in order to induce, and in consideration for, the agreement of Secured Party to provide the Loan, and in consideration of the mutual covenants herein contained, the parties hereto, intending to be legally bound hereby, agree as follows:

#### 1. Definitions

For the purposes of this Agreement, the following terms shall have the following meanings:

1.1 The term "Debtor's Obligations" shall include (i) any and all indebtedness, obligations and liabilities of any type or nature, now existing or hereafter created, of Debtor, its permitted successors and assigns to Secured Parties (or any of them), their respective successors or assigns, including, but not limited to, those obligations under those certain Promissory Notes, executed and delivered on the date hereof (as amended, extended or modified) (the "Notes"); (ii) all liabilities and obligations of Debtor hereunder; and (iii) all costs, expenses and liabilities (including reasonable attorneys' fees and costs) that may be incurred or advances that may be made by Secured Parties in any way in connection with any of Debtor's Obligations, or with respect to the enforcement thereof.

1.2 The term "Collateral" shall mean all right, title and interest of Debtor in all of the real or personal property, now owned or hereafter acquired, wherever located, as more

particularly described below:

1.2.1 All accounts, contract rights, and accounts receivable, now or hereafter in existence and all proceeds thereof, and all returned or repossessed goods arising from or relating to any of said accounts or rights;

1.2.2 All inventory now owned or hereafter acquired and products and proceeds thereof;

1.2.3 All machinery, equipment, fixtures, computers, fax machines, appliances and furniture now owned or hereafter acquired by Debtor and wherever located;

1.2.4 All General intangibles and goodwill now owned or hereafter acquired or arising of Debtor;

1.2.5 All books and records (including all data processing software and hardware) pertaining to the Collateral, wherever located;

1.2.6 Claims arising from insurance coverage or against third parties for loss or damage to or destruction of any of the foregoing;

1.2.7 All rights relating to the patent applications and patents listed in "Schedule A" attached hereto (collectively called the "Patents"), including without limitation, all rights owned by Debtor corresponding thereto throughout the world and all reissues, divisions, continuations, renewals, extensions and continuations-in-part and all proceeds thereof, and on any improvement on any of the Patents, and including the right to make, have made, use and sell products and to practice methods covered by the Patents; the right, in its own name, to enforce the Patents against infringers and to collect proceeds from any enforcement actions; the right to apply for, to prosecute and/or to maintain those Patents which, in its judgment are of significance; and the right to grant licenses under the Patents which licenses shall survive the exercise of any rights by Secured Party hereunder and shall survive notwithstanding the occurrence of any Event of Default hereunder.

1.2.8 All proceeds and products of any of the foregoing.

1.3 The term "Event of Default" wherever used herein means:

1.3.1 The occurrence of a default in the due performance or observance in any term, covenant or agreement required to be performed or observed pursuant hereto or pursuant to the Notes.

## 2. Creation of Security Interest

As security for the full, prompt and complete payment and performance of each of Debtor's Obligations, Debtor hereby grants to Secured Party, a security interest under the

Uniform Commercial Code of Pennsylvania, as amended, and under any other applicable law (including, without limitation, the Uniform Commercial Code of any state in which the Collateral is located), in and to the Collateral.

3 Covenants of Debtor

3.1 Obligation to Pay

3.1.1 Debtor shall perform all obligations, including payment in a timely fashion and in full all amounts payable pursuant to the Notes.

3.1.2 Debtor shall pay and/or reimburse Secured Parties for any and all expenditures, including reasonable attorneys' fees and legal expenses, in connection with the exercise by Secured Parties of any of its rights and remedies under the Notes or this Security Agreement.

3.2 Additional Covenants of Debtor

Debtor shall:

3.2.1 Upon request by Secured Parties, whether before or after execution of this Security Agreement, sign and deliver, alone or with Secured Parties, any financing statement, or renewal, substitution or correction thereof, or other document, or procure any document, and pay all incidental costs necessary to protect the security interests under this Security Agreement against the rights or interests of third parties and/or to enable Secured Parties to exercise its rights hereunder including without limitation, the right to sell or retain the Collateral.

3.2.2 Pay all costs of filing any financing, continuation, or termination statement or otherwise with respect to the security interests created hereby.

3.2.3 Maintain the Collateral and utilize its best efforts to increase the value of the Collateral;

3.2.4 Not sell, transfer, mortgage or otherwise encumber any of the Collateral without the prior written consent of Secured Parties.

3.2.5 Not move any Collateral to a location with respect to which Secured Parties' security interest in such Collateral has not been perfected until there shall have been executed and delivered to Secured Parties and recorded any and all documents and instruments necessary to perfect Secured Parties' security interest in such Collateral.

3.2.6 Carry at all times, in coverage, form and amount satisfactory to Secured Parties, hazard insurance, (with fire, vandalism and malicious mischief coverage and

coverage against such other hazards as are customarily insured against by companies in the same or similar business) and such other insurance as Secured Parties may from time to time reasonably require, and pay all premiums on the policies for such insurance when and as they become due and do all other things necessary to maintain such policies in full force and effect. Debtor shall from time to time upon request by Secured Parties, promptly furnish or cause to be furnished to Secured Parties evidence in form and substance satisfactory to Secured Parties, of the maintenance of all insurance required to be maintained by this Section 3.2.6 including, but not limited to, such originals or copies as Secured Parties may request of policies, certificates of insurance, riders and endorsements relating to such insurance and proof of premium payments. Debtor shall cause all policies insuring the Collateral covered by this Security Agreement to provide, and the insurers issuing such policies to issue a certificate to Secured Parties within 15 days of the date hereof, that (a) if such insurance be proposed to be canceled or materially changed for any reason whatsoever, such insurer will promptly notify Secured Parties and such cancellation or change shall not be effective as to Secured Parties for thirty (30) days after receipt by Secured Parties of such notice, unless the effect of such change is to extend or increase coverage under the policy; (b) Secured Parties will have the right at its election to remedy any default in the payment of premiums within thirty (30) days of notice from the insurer of such default; and (c) loss payments in each instance will be payable to Secured Parties as mortgagee, secured party or loss/payee, or otherwise as its interests may appear.

3.2.7 Debtor shall maintain good and transferable title to all of the Collateral owned by it free and clear of any and all liens and encumbrances excepting only the security interests created pursuant to this Security Agreement. Debtor shall comply with all laws and regulations governing its use and occupancy of its place of business.

#### 4. Secured Party's Rights and Remedies

4.1 Upon the occurrence of any Event of Default, Secured Party may proceed to exercise (i) any one or more of the rights or remedies afforded by the Uniform Commercial Code of Pennsylvania, as amended, or other applicable law of any jurisdiction, (ii) any rights or remedies upon any judgment entered against Debtor relating to its breach of its obligations under this Security Agreement or Notes, (iii) any other remedies or rights provided in the Notes, simultaneously or consecutively, against or in respect of Debtor, all of which rights and remedies shall, to the full extent permitted by law, be cumulative. The choice of one or more rights or remedies shall not be construed as a waiver or election barring other rights and remedies. Debtor hereby acknowledges and agrees that Secured Parties is not required to exercise all remedies and rights available to it equally with respect to all of the Collateral and that Secured Parties may select less than all of the Collateral with respect to which the remedies as determined by Secured Parties may be exercised.

4.2 In addition to or in conjunction with the rights and remedies referred to in Section 4.1 hereof:

4.2.1. Written notice mailed to Debtor at the address designated herein five (5) days or more prior to the date of public or private sale of any of the Collateral shall constitute reasonable notice.

4.2.2 Secured Parties may require Debtor to assemble, at Debtor's sole cost, any of the Collateral and to make it available to Secured Parties at a place Secured Party designates.

## 5. Entire Agreement

This Agreement sets forth all of the promises, covenants, agreements, conditions and understandings between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, with respect thereto, except as contained or referred to herein and in the Note. This Security Agreement may not be amended, waived, discharged or terminated orally, but only by an instrument in writing signed by the parties hereto.

## 6. Invalidity

If any provisions of this Security Agreement shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereunder, but this Security Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

## 7. Non-Waiver and Non-Exclusive Remedies

### 7.1 Non-Exclusive Remedies

No remedy or right herein conferred upon, or reserved to Secured Parties is intended to be to the exclusion of any other remedy or right, but each and every such remedy or right shall be cumulative and shall be in addition to every other remedy or right given hereunder, and now or hereafter existing at law or in equity.

### 7.2 Delay and Non-Waiver

No delay or omission by Secured Parties to exercise any remedy or right accruing upon, and during the continuance of, an Event of Default shall impair any such remedy or right, or shall be construed to be a waiver of any such Event of Default, or an acquiescence therein, nor shall it affect any subsequent Event of Default of the same or of a different nature.

## 8. Termination of Security Interest

If no Event of Default has occurred and all of Debtor's Obligations have been indefeasibly paid and/or performed in full and Debtor has no further obligation to Secured Parties

under the Notes or otherwise, the security interests provided herein shall terminate and Secured Parties shall return to Debtor all the Collateral then held by it, if any, and upon written request of Debtor, shall execute, in form for filing, termination statements of the security interests herein granted and, thereafter, no party hereto shall have any further rights or obligations hereunder; provided, however, that it is understood and agreed that if any payment made pursuant to the Notes shall be required to be repaid or refunded by Secured Parties as a result of any bankruptcy or insolvency of Debtor or any other party or by virtue of any claim of invalidity, unenforceability, right of rescission or otherwise, the security interest provided herein shall remain in full force and effect and secure the amount of the payments so repaid or refunded.

#### 9. Successors and Assigns

This Security Agreement shall be binding upon Debtor and its permitted successors or assigns and shall inure to the benefit of and be enforceable by Secured Parties (or any of them) and their successors and assigns.

#### 10. Power of Attorney

10.1 James Osborne, as agent of Secured Parties is hereby appointed by Debtor as its attorney-in-fact, irrevocably, to do any and all acts and things that Secured Parties may deem necessary to perfect and continue perfected the security interest hereby created and to protect and preserve the Collateral and to exercise its rights, hereunder including, without limitation, the execution on behalf of Debtor of any financing or continuation statement with respect to the security interest created hereby, and the protection and prosecution of all rights included in or relating to the Collateral including the right to dispose of all or part thereof upon an Event of Default.

#### 11. Governing Law

This Agreement and the rights and obligations of the parties hereunder shall be construed and enforced in accordance with and shall be governed by the internal laws of the Commonwealth of Pennsylvania.

#### 12. Notices

All notices, consents, requests, demands, instructions, approvals and/or communications hereunder shall be deemed to have been duly given, made or served, whether or not accepted, if in writing and when delivered personally (including without limitation by means of telex, telecopier or telefax systems) or by first class registered or certified mail, postage prepaid, return receipt requested, or the day following delivery to an internationally recognized, reputable overnight courier service which guarantees delivery within 24 hours, charges prepaid, to the respective parties to this Security Agreement as follows:

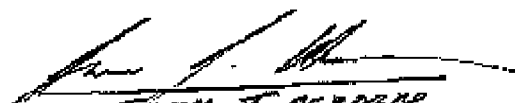
##### 12.1 If to Debtor:

12.2 If to Secured Party: Jim Osborne  
704 Abbeydale Court  
Ambler, PA. 19002

The designation of the person to be so notified or the address of such person for the purposes of such notice may be changed from time to time by similar notice in writing, except that any communication with respect to a change of address shall be deemed to be given or made when received by the party to whom such communication was sent. No other method of notice is precluded by this Section 12.

IN WITNESS WHEREOF, the parties have duly executed this Security Agreement on the date first above written.


DEBTOR: SHOWER FLOWER, INC.

By:   
James J. Osborne

Title: President

SECURED PARTY:

  
James Osborne

  
Kimberley Osborne



SCHEDULE A

<u>Patent Appl. No.</u>	<u>Country</u>	<u>Filing Date</u>	<u>Title</u>
10/275,050	U.S.	May 2, 2001	Multi-Use and Decorative Bathing Implement
2,407,63	Canada	May 2, 2001	Multi-Use and Decorative Bathing Implement
01809035.4	China	May 2, 2001	Multi-Use and Decorative Bathing Implement
01932863.2	Europe	May 2, 2001	Multi-Use and Decorative Bathing Implement