

08-28-2000



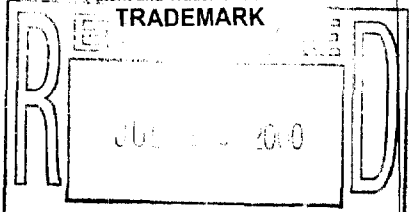
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RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

U.S. Department of Commerce
Patent and Trademark Office

TRADEMARK



TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- New
- Resubmission (Non-Recordation)
Document ID #
- Correction of PTO Error
Reel # Frame #
- Corrective Document
Reel # Frame #

Conveyance Type

- Assignment License
- Security Agreement Nunc Pro Tunc Assignment
- Merger Effective Date
Month Day Year
- Change of Name
- Other

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name **Flower Club International, Inc.**

06041999

Formerly

- Individual General Partnership Limited Partnership Corporation Association
- Other
- Citizenship/State of Incorporation/Organization **Florida**

Receiving Party

Mark if additional names of receiving parties attached

Name **Bank of America, N.A., as Agent**

DBA/AKA/TA

Composed of

Address (line 1) **101 North Tryon Street**

Address (line 2) **NC1-007-15-04**

Address (line 3) **Charlotte**

NC

28255

City

State/Country

Zip Code

- Individual General Partnership Limited Partnership Corporation Association
- Other **National Association**
- Citizenship/State of Incorporation/Organization

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

08/24/2000 DNGUYEN 00000212 1774749

FOR OFFICE USE ONLY

01 FC:481
02 FC:482

40.00 OP
25.00 OP

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

TRADEMARK
REEL: 002125 FRAME: 0761

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments.

#

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
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<input type="text" value="1774749"/>	<input type="text"/>	<input type="text"/>
<input type="text" value="1976365"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

Method of Payment:

Enclosed

Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes

No

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. Charges to deposit account are authorized, as indicated herein.

R. Malloy McKeithen, Esq.

Name of Person Signing

Signature

7/20/00

Date Signed

**SECURITY AGREEMENT
(SUBSIDIARY)**

THIS SECURITY AGREEMENT (this "Agreement") is made and entered into as of June 4, 1999 by **FLOWER CLUB INTERNATIONAL, INC.**, a Florida corporation (the "Grantor"), and **NATIONSBANK, NATIONAL ASSOCIATION**, a national banking association, as Agent (the "Agent") for each of the lenders (the "Lenders" and collectively with the Agent, the "Secured Parties") now or hereafter party to the Amended and Restated Credit Agreement (as defined below). All capitalized terms used but not otherwise defined herein shall have the respective meanings assigned thereto in the Credit Agreement (as defined below);

WITNESSETH:

WHEREAS, the Secured Parties have agreed to provide to the Gerald Stevens Retail, Inc., a Delaware corporation (the "Borrower") a certain revolving credit facility with a letter of credit sublimit pursuant to the Amended and Restated Credit Agreement dated as of June 4, 1999 among the Borrower, Gerald Stevens, Inc. (the "Parent"), the Agent and the Lenders (as from time to time amended, revised, modified, supplemented or amended and restated, the "Credit Agreement"); and

WHEREAS, Grantor is a Subsidiary of the Parent and will materially benefit from the Loans and Advances to be made, and the Letters of Credit to be issued, under the Credit Agreement and Grantor is a party to that certain Guaranty Agreement (the "Guaranty") dated as of the date hereof pursuant to which Grantor guaranteed the Obligations of the Borrower; and

WHEREAS, as collateral security for payment and performance of its obligations under the Guaranty, Grantor is willing to grant to the Agent for the benefit of the Secured Parties a security interest in all of its personal property and assets whether now in existence or hereafter acquired (the "Grantor's Assets"), including without limitation the Grantor's Assets of Grantor more particularly described on Schedule I hereto (Grantor, together with all other Grantors whose personal property and assets may be required to be subject to a Security Agreement from time to time, are hereinafter referred to as the "Subsidiary Grantors"); and

WHEREAS, the Secured Parties are unwilling to enter into the Loan Documents unless the Borrower and the Grantor enter into this Agreement;

NOW, THEREFORE, in order to induce the Secured Parties to enter into the Loan Documents and to make Loans and issue Letters of Credit and in consideration of the premises and the mutual covenants contained herein, the parties hereto agree as follows:

1. **Grant of Security Interest.** As collateral security for the payment, performance, and satisfaction of all obligations and liabilities of the Grantor under the Guaranty (collectively, the "Secured Obligations"), Grantor hereby affirms, grants, pledges and assigns to the Agent for the benefit of the Lenders and grants to the Agent for the benefit of the Lenders a continuing first priority

security interest in and to all of the property of the Grantor, whether now owned or existing or hereafter acquired or arising and wheresoever located, including without limitation the following:

(a) All accounts, accounts receivable, contracts, notes, bills, acceptances, choses in action, chattel paper, instruments, documents and other forms of obligations at any time owing to Grantor arising out of goods sold or leased or for services rendered by Grantor, the proceeds thereof and all of Grantor's rights with respect to any goods represented thereby, whether or not delivered, goods returned by customers and all rights as an unpaid vendor or lienor, including rights of stoppage in transit and of recovering possession by proceedings including replevin and reclamation, together with all customer lists, books and records, ledger and account cards, computer tapes, software, disks, printouts and records, whether now in existence or hereafter created, relating thereto (collectively referred to hereinafter as "Accounts");

(b) All inventory of Grantor wherever located in the United States of America and any state, district, territory or other political subdivision thereof, including without limitation, all goods manufactured or acquired for sale or lease, and any piece goods, raw materials, work in process and finished merchandise, findings or component materials, and all supplies, goods, incidentals, office supplies, packaging materials and any and all items used or consumed in the operation of the business of Grantor or which may contribute to the finished product or to the sale, promotion and shipment thereof, in which Grantor now or at any time hereafter may have an interest, whether or not the same is in transit or in the constructive, actual or exclusive occupancy or possession of Grantor or is held by Grantor or by others for Grantor's account (collectively referred to hereinafter as "Inventory");

(c) All goods of Grantor, including without limitation, all machinery, equipment, parts, supplies, apparatus, appliances, tools, patterns, molds, dies, blueprints, fittings, furniture, furnishings, fixtures and articles of tangible personal property of every description now or hereafter owned by Grantor or in which Grantor may have or may hereafter acquire any interest, at any location (collectively referred to hereinafter as "Equipment");

(d) All general intangibles of Grantor in which Grantor now has or hereafter acquires any rights, including but not limited to, causes of action, corporate or business records, inventions, designs, goodwill, patents, patent applications, trademarks, servicemarks, trademark and servicemark applications, copyrights, copyright applications, trade names, trade secrets, trade processes, licenses, permits, franchises, customer lists, computer programs, all claims under guaranties, tax refund claims, rights and claims against carriers and shippers, leases, claims under insurance policies, all rights to indemnification and all other intangible personal property and intellectual property of every kind and nature (collectively referred to hereinafter as "General Intangibles");

(e) All rights now or hereafter accruing to Grantor under contracts, leases, agreements or other instruments to perform services, to hold and use land and facilities, and to enforce all rights thereunder (collectively referred to hereinafter as "Contract Rights");

(f) All monies, certificates of deposit, commercial paper, cash equivalents, account balances, notes, options, interests and securities (certificated or uncertificated), wheresoever located;

(g) All motor vehicles, trailers, rolling stock of any kind and all rights under leases of vehicles and equipment;

(h) All books and records relating to any of the Collateral (as hereinafter defined) (including without limitation, customer data, credit files, computer programs, printouts, and other computer materials and records of Grantor pertaining to any of the foregoing); and

(i) All accessions to, substitutions for and all replacements, products and proceeds of the foregoing, including without limitation proceeds of insurance policies insuring the Collateral (as hereinafter defined).

All of the property and interests in property described in subsections (a) through (g) and all other property and interests in personal property which shall, from time to time, secure the Secured Obligations are herein collectively referred to as the "Collateral."

2. Financing Statements. At the time of execution of this Agreement, Grantor shall have furnished the Agent with properly executed financing statements, registrar's certificates, amendments and assignments as prescribed by the Uniform Commercial Code as presently in effect in the states where the Collateral is located, prepared and approved by the Agent in form and number sufficient for filing wherever required with respect to the Collateral, in order that the Agent, for the benefit of the Lenders, shall have a duly perfected security interest of record in the Collateral, to the extent a security interest in such Collateral can be perfected by filing a financing statement, following the filing of such financing statements with the appropriate local and state governmental authorities, subject only to Liens permitted under the Credit Agreement. Grantor shall execute as reasonably required by the Agent any additional financing statements or other documents to effect the same, together with any necessary continuation statements so long as this Agreement remains in effect.

3. Maintenance of Security Interest. Grantor will, from time to time, upon the request of the Agent, deliver specific assignments of Collateral, together with such other instruments and documents, financing statements, amendments thereto, assignments or other writings as the Agent may request to carry out the terms of this Agreement or to protect or enforce the Agent's security interest in the Collateral.

With respect to any and all Collateral to be secured and conveyed under this Agreement, Grantor agrees to do and cause to be done all things necessary to perfect and keep in full force the security interest granted in favor of the Agent for the benefit of the Lenders, including, but not limited to, the prompt payment of all fees and expenses incurred in connection with any filings made to perfect or continue a security interest in the Collateral in favor of the Agent for the benefit of the Lenders.

Grantor agrees to make appropriate entries upon its financial statements and books and records disclosing the security interest granted hereunder to the Agent for the benefit of the Secured Parties.

4. **Receipt of Payment.** In the event an Event of Default shall occur and be continuing and Grantor (or any of its affiliates, subsidiaries, stockholders, directors, officers, employees or agents) shall receive any proceeds of Collateral, including without limitation monies, checks, notes, drafts or any other items of payment, Grantor shall hold all such items of payment in trust for the Agent, for the benefit of the Secured Parties, and as the property of the Agent, for the benefit of the Secured Parties, separate from the funds of Grantor, and no later than the first Business Day following the receipt thereof, at the election of the Agent, Grantor shall cause the same to be forwarded to the Agent for its custody and possession on behalf of the Lenders as additional Collateral.

5. **Covenants.** Grantor covenants with the Agent that from and after the date of this Agreement until termination hereof in accordance with Section 27 hereof:

(a) **Inspection.** The Agent (by any of its officers, employees and agents), on behalf of the Lenders, shall have the right upon prior notice to an executive officer of the Borrower, and at any reasonable times during Grantor's usual business hours, to inspect the Collateral, all records related thereto (and to make extracts or copies from such records), and the premises upon which any of the Collateral is located, to discuss Grantor's affairs and finances with any Person (other than Persons obligated on any Accounts ("Account Debtors")), and to verify with any Person other than Account Debtors the amount, quality, quantity, value and condition of, or any other matter relating to, the Collateral and, if an Event of Default has occurred and is continuing, to discuss Grantor's affairs and finances with Grantor's Account Debtors and to verify the amount, quality, value and condition of, or any other matter relating to, the Collateral and such Account Debtors. Upon or after the occurrence and during the continuation of an Event of Default, the Agent may at any time and from time to time employ and maintain on Grantor's premises a custodian selected by the Agent who shall have full authority to do all acts necessary to protect the Agent's (for the benefit of the Secured Parties) interest. All expenses incurred by the Agent, on behalf of the Secured Parties, by reason of the employment of such custodian shall be paid by Grantor, added to the Secured Obligations and secured by the Collateral.

(b) **Assignments, Records and Schedules of Accounts.** Grantor shall keep accurate and complete records of its Accounts (“Account Records”) and from time to time at intervals designated by the Agent Grantor shall provide the Agent with a schedule of Accounts in form and substance acceptable to the Agent describing all Accounts created or acquired by Grantor (“Schedule of Accounts”); provided, however, that Grantor’s failure to execute and deliver any such Schedule of Accounts shall not affect or limit the Agent’s security interest or other rights in and to any Accounts for the benefit of the Secured Parties. If requested by the Agent, Grantor shall furnish the Agent with copies of proof of delivery and other documents relating to the Accounts so scheduled, including without limitation repayment histories and present status reports (collectively, “Account Documents”) and such other matter and information relating to the status of then existing Accounts as the Agent shall reasonably request. Grantor shall not remove any Account Records or Account Documents or change its chief executive offices from the locations set forth in Schedule II hereto without 30 days prior written notice to the Agent as provided in Section 28 hereof and delivery to the Agent by the Grantor prior to such removal of executed financing statements, amendments and other documents necessary in the determination of the Agent to maintain the security interests granted hereunder.

(c) **Notice Regarding Disputed Accounts.** In the event any amounts due and owing in excess of \$50,000 individually, or \$100,000 in the aggregate amount, are in dispute between any Account Debtor and Grantor (which shall include without limitation any dispute in which an offset claim or counterclaim may result), Grantor shall provide the Agent with written notice thereof as soon as practicable, explaining in detail the reason for the dispute, all claims related thereto and the amount in controversy.

(d) **Verification of Accounts.** If an Event of Default has occurred and is continuing, any of the Agent’s officers, employees or agents shall have the right, at any reasonable time or times hereafter, to verify with Account Debtors the validity, amount or any other matter relating to any Accounts and, whether or not a Default or Event of Default has occurred, any of the Agent’s officers, employees or agents shall have the right to verify the same with Grantor.

(e) **Change of Trade Styles.** Grantor shall not change, amend, alter, terminate, or cease using its material trade names or styles under which it sells Inventory as of the date of this Agreement (“Trade Styles”), or use additional Trade Styles, without giving the Agent at least 30 days' prior written notice and delivery to the Agent by the Grantor prior to such removal, change, amendment, alteration, or use, of executed financing statements, amendments and other documents necessary in the determination of the Agent to maintain the security interests granted hereunder.

(f) **Safekeeping of Inventory.** Grantor shall be responsible for the safekeeping of its Inventory, and, subject to Section 14 hereof, in no event shall the Agent have any responsibility for:

(i) Any loss or damage to Inventory or destruction thereof occurring or arising in any manner or fashion from any cause;

(ii) Any diminution in the value of Inventory; or

(iii) Any act or default of any carrier, warehouseman, bailee or forwarding agency thereof or other Person in any way dealing with or handling Inventory.

(g) **Location, Records and Schedules of Inventory.** Grantor shall keep correct and accurate records itemizing and describing the kind, type, location and quantity of Inventory, its cost therefor and the selling price of Inventory held for sale, and the daily withdrawals therefrom and additions thereto, and shall furnish to the Agent from time to time at reasonable intervals designated by the Agent, a current schedule of Inventory ("Schedule of Inventory") based upon its most recent physical inventory and its daily inventory records. Grantor shall conduct a physical inventory, no less than annually, and shall furnish to the Agent such other documents and reports thereof as the Agent shall reasonably request with respect to the Inventory. Subject to compliance at all times with Sections 6(c), (d) and (e), Grantor shall not, other than in the ordinary course of business in connection with its sale, remove any material amount of Inventory from the locations set forth on Schedule III hereto to a location not also set forth on Schedule III hereto, each of such locations being owned by Grantor unless otherwise indicated, without 30 days prior written notice to the Agent as provided in Section 28 hereof and delivery to the Agent by Grantor prior to such removal of executed financing statements, amendments and other documents necessary in the determination of the Agent to maintain the security interests granted hereunder.

(h) **Returns of Inventory.** If any Account Debtor returns any Inventory to a Grantor after shipment thereof, and such return generates a credit in excess of \$50,000 on any individual Account or \$100,000 in the aggregate on any Accounts of such Account Debtor, Grantor shall notify the Agent in writing of the same as soon as practicable.

(i) **Evidence of Ownership of Equipment.** The Grantor, as soon as practicable following a request therefor by the Agent, shall deliver to the Agent any and all evidence of ownership of any of the Equipment (including without limitation certificates of title and applications for title).

(j) **Location, Records and Schedules of Equipment.** The Grantor shall maintain accurate, itemized records itemizing and describing the kind, type, quality, quantity and value of its Equipment and shall furnish the Agent upon request, within a reasonable time of such request, with a current schedule containing the foregoing information, but, other than during the continuance of an Event of Default, not more often than once per fiscal quarter. Grantor shall not remove any material portion of the Equipment from the locations

set forth in Schedule IV hereto to a location not also set forth on Schedule IV hereto without at least 30 days' prior written notice to the Agent as provided in Section 28 hereof and delivery to the Agent by the Grantor prior to such removal of executed financing statements, amendments and other documents necessary to maintain the security interests granted hereunder.

(k) **Sale or Mortgage of Equipment.** Other than in the ordinary course of business with respect to disposition of obsolete Equipment or replacement of Equipment with other Equipment performing similar functions and having similar or better utility and value, and except as permitted by the Credit Agreement prior to the occurrence and continuance of an Event of Default, Grantor shall not sell, exchange, lease, mortgage, encumber, pledge or otherwise dispose of or transfer any of the Equipment or any part thereof without the prior written consent of the Agent.

(l) **Maintenance of Equipment.** Grantor shall keep and maintain its Equipment in good operating condition and repair, ordinary wear and tear excepted. Grantor shall not permit any such items to become a fixture to real property (unless Grantor has granted the Agent for the benefit of the Lenders a lien on such real property) or accessions to other personal property.

(m) **Transfers and Other Liens.** Grantor shall not (i) sell, assign (by operation of law or otherwise) or otherwise dispose of any of, or grant any option with respect to, the Collateral, except for dispositions permitted under the Credit Agreement and Section 5(k) hereof, (ii) create or suffer to exist any Lien, security interest or other charge or encumbrance upon or with respect to any of the Collateral except for the security interests created by this Agreement or other Liens permitted under the Credit Agreement; or (iii) take any other action in connection with any of the Collateral that would materially impair the value of the interest or rights of Grantor in the Collateral taken as a whole or that would materially impair the interest or rights of the Agent for the benefit of the Lenders.

6. **Warranties and Representations Regarding Collateral Generally.** Grantor warrants and represents that:

(a) It is and, except as permitted by the Credit Agreement and Section 5(m) hereof, will continue to be the owner of the Collateral hereunder, now owned and upon the acquisition of the same, free and clear of all Liens, claims, encumbrances and security interests other than the security interest in favor of the Agent for the benefit of the Lenders hereunder and Liens permitted under the Credit Agreement, and that it will defend such Collateral and any products and proceeds thereof against all material claims and demands of all Persons (other than holders of Liens permitted under the Credit Agreement) at any time claiming the same or any interest therein adverse to the Secured Parties.

(b) It has the unqualified right to enter into this Agreement and to perform its terms.

(c) No authorization, consent, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other Person is required either (i) for the grant by Grantor of the security interests granted hereby or for the execution, delivery or performance of this Agreement by Grantor, or (ii) for the perfection of or the exercise by the Agent, on behalf of the Secured Parties, of its rights and remedies hereunder, except for the filing of this Agreement with the Patent and Trademark Office and the equivalent offices in any foreign jurisdiction for all patents and trademarks listed on Schedule VI and the Copyright Office and the equivalent offices in any foreign jurisdiction for all copyrights listed on Schedule VI and the filings required by the Uniform Commercial Code of the State in which Grantor maintains its chief executive office.

(d) No effective financing statement or other instrument similar in effect covering all or any part of the Collateral purported to be granted by Grantor hereunder is on file in any recording office, except such as may have been filed in favor of the Agent, for the benefit of the Secured Parties other than Liens permitted under the Credit Agreement.

7. **Account Warranties and Representations.** With respect to its Accounts, Grantor warrants and represents to the Agent for the benefit of the Secured Parties that the Agent and each Lender may rely on all statements or representations made by Grantor on or with respect to any Schedule of Accounts prepared and delivered by it and that:

(a) All Account Records and Account Documents are located only at such Grantor's locations as set forth on Schedule II attached hereto and incorporated herein by reference or at such other locations as to which the Grantor has notified the Agent in writing not less than 30 days prior to such relocation;

(b) The Accounts are genuine, are in all material respects what they purport to be, are not evidenced by an instrument or document or, if evidenced by an instrument or document, are only evidenced by one original instrument or document;

(c) The Accounts cover bona fide sales and deliveries of Inventory usually dealt in by Grantor, or the rendition by Grantor of services, to an Account Debtor in the ordinary course of business;

(d) The amounts of the face value shown on any Schedule of Accounts or invoice statement delivered to the Agent with respect to any Account, are actually owing to Grantor and are not contingent for any reason other than being subject to performance standards under the related contracts, if any; and there are no setoffs, discounts, allowances, claims, counterclaims or disputes of any kind or description in an amount greater than \$100,000 in the aggregate, or greater than \$50,000 individually, existing or asserted with respect thereto and Grantor has not made any agreement with any Account Debtor thereunder for any

deduction therefrom, except as may be stated in the Schedule of Accounts and reflected in the calculation of the face value of each respective invoice related thereto;

(e) Except for conditions generally applicable to Grantor's industry and markets, there are no facts, events, or occurrences known to Grantor pertaining particularly to any Accounts which are reasonably expected to materially impair in any way the validity, collectibility or enforcement of Accounts that would reasonably be likely, in the aggregate, to be of material economic value, or in the aggregate materially reduce the amount payable thereunder from the amount of the invoice face value shown on any Schedule of Accounts, and on all contracts, invoices and statements delivered to the Agent, with respect thereto;

(f) The goods or services giving rise thereto are not, and were not at the time of the sale or performance thereof, subject to any Lien, claim, encumbrance or security interest, except those of the Agent for the benefit of Secured Parties and Liens permitted under the Credit Agreement;

(g) The Accounts have not been pledged to any Person other than to the Agent for the benefit of the Secured Parties under this Agreement and will be owned by Grantor free and clear of any Liens, claims, encumbrances or security interests except Liens permitted under the Credit Agreement;

(h) The Agent's and the Lenders' security interest therein will not be subject to any offset, deduction, counterclaim, Lien or other adverse condition, other than Liens permitted under the Credit Agreement; and

(i) The location of its chief executive office and any state in which it (i) has a place of business in only one county of such state or (ii) resides in such state (within the meaning of the applicable Uniform Commercial Code) but does not have any place of business in such state, is set forth on Schedule II attached hereto and incorporated herein by reference and Grantor shall deliver to the Agent not less than 30 days written notice prior to any change of such location or status of places of business or residency.

8. Inventory Warranties and Representations. With respect to its Inventory, Grantor warrants and represents to the Agent for the benefit of the Lenders that the Secured Parties may rely on all statements or representations made by Grantor on or with respect to any Inventory and that:

(a) All Inventory, other than Inventory having a value of less than \$100,000 in the aggregate for all locations, is located only at Grantor's locations as set forth on Schedule III attached hereto and incorporated herein by reference;

(b) None of its Inventory is or will be subject to any Lien, claim, encumbrance or security interest whatsoever, except for the security interest of the Agent for the benefit of the Lenders hereunder and Liens permitted under the Credit Agreement;

(c) No Inventory of Grantor that would reasonably be likely to be of value in excess of \$100,000 is, and shall not at any time or times hereafter be, stored with a bailee, warehouseman, or similar party without the Agent's prior written consent which consent shall not be unreasonably withheld and, if the Agent gives such consent, Grantor will concurrently therewith cause any such bailee, warehouseman, or similar party to issue and deliver to the Agent upon its request therefor, in form and substance reasonably acceptable to the Agent, warehouse receipts therefor in the Agent's name and take such other action and be party to such document as deemed necessary or prudent by the Agent to maintain the security interest of the Lenders in such Inventory; provided, however, Grantor shall be entitled to store Inventory for periods of less than 30 days with any bailee, warehouseman or similar party who the Grantor can demonstrate it has been directed to utilize by any customer without compliance with this subsection (c) so long as the value of such Inventory does not exceed \$250,000;

(d) No Inventory is, and shall not at any time or times hereafter be, under consignment to any Person, the value of which, when aggregated with all other Inventory under consignment of Grantor and all other Subsidiaries, would exceed \$1,000,000; and

(e) No Inventory is at or shall be kept at any location that is leased by Grantor from any other Person, the value of which exceeds \$1,000,000, unless such location and lessee is set forth on Schedule III hereto and the Grantor has used its best efforts to have the lessor waive its rights with respect to such Inventory in form and substance acceptable to the Agent and delivered in writing to the Agent prior to such amount of Inventory being at such one or more locations.

9. **Equipment Representations and Warranties.** With respect to its Equipment, Grantor warrants and represents to the Agent for the benefit of the Lenders that the Secured Parties may rely on all statements or representations made by Grantor on or with respect to any Equipment and that:

(a) All Equipment (other than Equipment located at facilities of Grantor's suppliers) is located only at Grantor's locations set forth in Schedule IV hereto or at such other locations as to which Grantor has notified the Agent in writing not less than 30 days prior to such relocation and has provided to the Agent executed financing statements for such location satisfying the requirements of Section 2 hereof;

(b) None of its Equipment is or will be subject to any Lien, claim, encumbrance or security interest whatsoever, except for the security interest of the Agent, for the benefit of the Lenders, hereunder and Liens permitted under the Credit Agreement;

(c) No Equipment of Grantor is at or shall be kept at any location that is leased by Grantor from any other Person unless such location and lessee is set forth on Schedule IV

hereto and the Grantor has used its best efforts to have the lessor waive its rights with respect to such Equipment in form and substance acceptable to the Agent.

10. General Intangibles Representations and Warranties. With respect to its General Intangibles, Grantor warrants and represents to the Agent for the benefit of the Lenders that the Secured Parties may rely on all statements or representations made by Grantor on or with respect to any General Intangibles and that:

(a) Set forth on Schedule VI is a list, which is complete and accurate in all material respects as of the date hereof, of licenses, patents, patent applications, copyrights, trademarks, trademark applications, servicemarks or servicemark applications of Grantor necessary for the conduct of its business as currently conducted or utilized and material in Grantor's commercial manufacturing operations or materially used in the selling or marketing of Grantor's products, including the expiration date of such licenses, patents registrations, copyrights or trademark registrations;

(b) It is the sole, legal and beneficial owner of the entire right, title and interest in and to the General Intangibles purported to be granted by it hereunder, free and clear of any Lien, security interest, option, charge, pledge, registered user agreement, assignment (whether conditional or not), or covenant, or any other encumbrance, except for the Security Interests created or permitted by this Agreement or the Credit Agreement and certain licenses and registered user agreements described on Schedule VI. No effective financing statement or other instrument similar in effect covering all or any part of the General Intangibles purported to be granted by Grantor hereunder is on file in any recording office, including, without limitation, the Patent and Trademark Office or Copyright Office and the equivalent offices in any foreign jurisdiction, except such as may have been filed in favor of the Agent, for the benefit of the Lenders;

(c) Each license is validly subsisting and has not been adjudged invalid or unenforceable, in whole or in part, and is, to Grantor's knowledge, valid and enforceable. No action or proceeding is pending or to the Grantor's knowledge threatened seeking to limit, cancel or question the validity of the General Intangibles;

(d) Each patent of Grantor identified on Schedule VI hereto is subsisting and has not been adjudged unpatentable, invalid or unenforceable, in whole or in part, and to the knowledge of Grantor is patentable, valid and enforceable, and each of such Patent applications has been filed in conformity with applicable rules and procedures of the Patent and Trademark Office and of the equivalent agencies in each applicable foreign jurisdiction and will be diligently prosecuted in conformity therewith so as to not improperly become abandoned;

(e) Each trademark and each copyright of Grantor identified on Schedule VI is validly subsisting and has not been abandoned or adjudged invalid, unregistrable or

unenforceable, in whole or in part, and is, to Grantor's knowledge, valid, registrable and enforceable;

(f) It has notified the Agent in writing of all uses of any patent, trademark or copyright, prior to Grantor's use, of which Grantor is aware, which would in the reasonable judgment of Grantor lead to such item becoming invalid or unenforceable, including prior unauthorized uses by third parties and uses that were not supported by the goodwill of the business connected with such item;

(g) It has not granted any release, covenant not to sue, or non-assertion assurance to any third person, nor allowed any shop right to arise with respect to any third person, with respect to any part of the General Intangibles;

(h) It has protected its General Intangibles with markings or as otherwise required by statute;

(i) The actions contemplated under or in connection with the Loan Documents will not impair the legal right of Grantor to use any of the General Intangibles;

(j) Except as disclosed to the Lenders in writing prior to the date of this Agreement, Grantor has no knowledge of the existence of any right under any patent, trademark, license agreement, trade name, trade secret, know-how, confidential research, development and commercial information, or other proprietary information held by any other Person that would preclude Grantor from publishing, distributing, marketing, selling, or using any product currently made by it, being made for it or sold or used by it, imported by it or exported by it, as the case may be, or to use any processes currently used by it (except, in each case, to the extent that Grantor has granted an exclusive license to another Person), or materially interfere with the ability of Grantor to carry on its business as currently carried on, and Grantor has no knowledge of any claim to the contrary that is likely to be made;

(k) Grantor has used consistent standards of quality in manufacturing, distribution and marketing of each product sold and provision of each service provided under any General Intangibles, and has taken all steps necessary to ensure that all licensed users of any General Intangibles use such consistent standards of quality;

(l) No Subsidiaries and none of Grantor's Subsidiaries (except to the extent that such Subsidiaries are also Grantors hereunder) has an ownership interest in any patents, patent applications, copyrights, copyright applications, trademark, trade name, trade dress, service marks, trademark or service mark registrations or any applications for trademark or service mark registration or any other intellectual property of a nature that would be General Intangibles hereunder if owned by Grantor; and

(m) No claim has been made (and, as to General Intangibles with respect to which Grantor is a licensor, to the knowledge of Grantor, no claim has been made against the third party licensee), and Grantor has no knowledge of any claim that is likely to be made, that the use by Grantor of any Collateral does or may violate the rights of any Person.

11. Casualty and Liability Insurance Required.

(a) Grantor will keep the Collateral continuously insured against such risks as are customarily insured against by businesses of like size and type engaged in the same or similar operations including, without limiting the generality of any other covenant herein contained:

(i) casualty insurance on the Inventory and the Equipment in an amount not less than the full insurable value thereof, against loss or damage by theft, fire and lightning and other hazards ordinarily included under uniform broad form standard extended coverage policies, limited only as may be provided in the standard broad form of extended coverage endorsement at the time in use in the states in which the Collateral is located;

(ii) comprehensive general liability insurance against claims for bodily injury, death or property damage occurring with or about such Collateral (such coverage to include provisions waiving subrogation against the Secured Parties), with Agent and Lenders as additional insured parties, in amounts as shall be reasonably satisfactory to Agent;

(iii) liability insurance with respect to the operation of its facilities under the workers' compensation laws of the states in which such Collateral is located; and

(iv) business interruption insurance.

(b) Each insurance policy obtained in satisfaction of the requirements of Section 11(a) hereof:

(i) may be provided by blanket policies now or hereafter maintained by Grantor or the Borrower;

(ii) shall be issued by such insurer (or insurers) as shall be financially responsible, of recognized standing and reasonably acceptable to the Agent;

(iii) shall be in such form and have such provisions (including without limitation the loss payable clause, the waiver of subrogation clause, the deductible amount, if any, and the standard mortgagee endorsement clause), as are

generally considered standard provisions for the type of insurance involved and are reasonably acceptable in all respects to the Agent;

(iv) shall prohibit cancellation or substantial modification, termination or lapse in coverage by the insurer without at least 30 days' prior written notice to the Agent, except for non-payment of premium, in which case such policies shall provide ten (10) days' prior written notice;

(v) without limiting the generality of the foregoing, all insurance policies where applicable under Section 11(a)(i) carried on the Collateral shall name the Agent, for the benefit of the Lenders, as loss payee and the Agent and Lenders as parties insured thereunder in respect of any claim for payment.

(c) Prior to expiration of any such policy, Grantor shall furnish the Agent with evidence satisfactory to the Agent that the policy or certificate has been renewed or replaced or is no longer required by this Agreement.

(d) Grantor hereby irrevocably makes, constitutes and appoints the Agent (and all officers, employees or agents designated by the Agent), for the benefit of the Lenders, effective upon the occurrence and during the continuance of an Event of Default, as Grantor's true and lawful attorney (and agent-in-fact) for the purpose of making, settling and adjusting claims under such policies of insurance, endorsing the name of Grantor on any check, draft, instrument or other item or payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect to such policies of insurance.

(e) In the event Grantor shall fail to maintain, or fail to cause to be maintained, the full insurance coverage required hereunder or shall fail to keep any of its Collateral in good repair and good operating condition subject to ordinary wear and tear, the Agent may (but shall be under no obligation to), without waiving or releasing any Secured Obligation or Event of Default by Grantor hereunder, contract for the required policies of insurance and pay the premiums on the same or make any required repairs, renewals and replacements; and all sums so disbursed by Agent, including reasonable attorneys' fees, court costs, expenses and other charges related thereto, shall be payable on demand by Grantor to the Agent and shall be additional Secured Obligations secured by the Collateral.

(f) Grantor agrees that to the extent that it shall not carry insurance required by Section 11(a) hereof, it shall in the event of any loss or casualty pay promptly to the Agent, for the benefit of the Secured Parties, for application in accordance with the provisions of Section 11(h) hereof, such amount as would have been received as Net Proceeds (as hereinafter defined) by the Agent, for the benefit of the Secured Parties, under the provisions of Section 11(h) hereof had such insurance been carried to the extent required.

(g) The Net Proceeds of the insurance carried pursuant to the provisions of Sections 11(a)(ii) and 11(a)(iii) hereof shall be applied by Grantor toward extinguishment of the defect or claim or satisfaction of the liability with respect to which such insurance proceeds may be paid.

(h) The Net Proceeds of the insurance carried with respect to the Collateral pursuant to the provisions of Section 11(a)(i) hereof shall be paid to Grantor and held by Grantor in a separate account and applied as follows: (i) as long as no Event of Default shall have occurred and be continuing, after any loss under any such insurance and payment of the proceeds of such insurance, Grantor shall have a period of 30 days after payment of the insurance proceeds with respect to such loss to elect to either (x) repair or replace the Collateral so damaged, (y) deliver such Net Proceeds to the Agent, for the benefit of the Lenders, as additional Collateral or (z) apply such Net Proceeds to the acquisition of tangible assets used or useful in the conduct of the business of Grantor, subject to the provisions of this Agreement. If Grantor elects to repair or replace the Collateral so damaged, Grantor agrees the Collateral shall be repaired to a condition substantially similar to its condition prior to damage or replaced with Collateral in a condition substantially similar to the condition of the Collateral so replaced prior to damage; and (ii) at all times during which an Event of Default shall have occurred and be continuing, after any loss under such insurance and payment of the proceeds of such insurance, Grantor shall immediately deliver such Net Proceeds to such Agent, for the benefit of the Secured Parties, as additional Collateral.

(i) "Net Proceeds" when used with respect to any insurance proceeds shall mean the gross proceeds from such proceeds, award or other amount, less all taxes, fees and expenses (including attorneys' fees) incurred in the realization thereof.

(j) In case of any material damage to or destruction of all or any part of the Collateral pledged hereunder by Grantor, Grantor shall give prompt notice thereof to the Agent. Each such notice shall describe generally the nature and extent of such damage, destruction, taking, loss, proceeding or negotiations. Grantor is hereby authorized and empowered to adjust or compromise any loss under any such insurance.

12. Rights and Remedies Upon Event of Default. Upon and after an Event of Default, the Agent shall have the following rights and remedies on behalf of the Lenders in addition to any rights and remedies set forth elsewhere in this Agreement, all of which may be exercised with or, if allowed by law, without notice to Grantor:

(a) All of the rights and remedies of a secured party under the Uniform Commercial Code of the state where such rights and remedies are asserted, or under other applicable law, all of which rights and remedies shall be cumulative, and none of which shall be exclusive, to the extent permitted by law, in addition to any other rights and remedies contained in this Agreement, the Guaranty Agreement or any other Loan Document;

(b) The right to foreclose the Liens and security interests created under this Agreement by any available judicial procedure or without judicial process;

(c) The right to (i) enter upon the premises of Grantor through self-help and without judicial process, without first obtaining a final judgment or giving Grantor notice and opportunity for a hearing on the validity of the Agent's claim and without any obligation to pay rent to Grantor, or any other place or places where any Collateral is located and kept, and remove the Collateral therefrom to the premises of the Agent or any agent of the Agent, for such time as the Agent may desire, in order effectively to collect or liquidate the Collateral, and (ii) require Grantor to assemble the Collateral and make it available to the Agent at a place to be designated by the Agent that is reasonably convenient to both parties;

(d) The right to (i) demand payment of the Accounts; (ii) enforce payment of the Accounts, by legal proceedings or otherwise; (iii) exercise all of Grantor's rights and remedies with respect to the collection of the Accounts and General Intangibles; (iv) settle, adjust, compromise, extend or renew the Accounts, General Intangibles and Contract Rights; (v) settle, adjust or compromise any legal proceedings brought to collect the Accounts; (vi) if permitted by applicable law, sell or assign the Accounts, General Intangibles and Contract Rights upon such terms, for such amounts and at such time or times as the Agent deems advisable; (vii) discharge and release the Accounts; (viii) take control, in any manner, of any item of payment or proceeds referred to in Section 4 above; (ix) prepare, file and sign Grantor's name on a Proof of Claim in bankruptcy or similar document against any Account Debtor; (x) prepare, file and sign Grantor's name on any notice of Lien, assignment or satisfaction of Lien or similar document in connection with the Accounts; (xi) endorse the name of Grantor upon an paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to the Accounts, Inventory or Equipment; (xii) use the information recorded on or contained in any data processing equipment and computer hardware and software relating to any Collateral to which Grantor has access; (xiii) to open Grantor's mail and collect any and all amounts due to Grantor from Account Debtors; (xiv) to take over Grantor's post office boxes or make other arrangements as the Agent, on behalf of the Lenders, deems necessary to receive Grantor's mail, including notifying the post office authorities to change the address for delivery of Grantor's mail to such address as the Agent, on behalf of the Lenders, may designate; and (xv) to notify any or all Account Debtors that the Accounts have been assigned to the Agent for the benefit of the Lenders and that Agent has a security interest therein for the benefit of the Lenders (provided that the Agent may at any time give such notice to an Account Debtor that is a department, agency or authority of the United States government); Grantor hereby agrees that any such notice, in the Agent's sole discretion, may be sent on Grantor's stationery, in which event Grantor shall co-sign such notice with the Agent; and (xvi) do all acts and things and execute all documents necessary, in Agent's sole discretion, to collect the Accounts and General Intangibles; and

(e) The right to sell, assign, lease or to otherwise dispose of all or any Collateral in its then existing condition, or after any further manufacturing or processing thereof, at

public or private sale or sales, with such notice as may be required by law, in lots or in bulk, for cash or on credit, with or without representations and warranties, all as the Agent, in its sole discretion, may deem advisable. The Agent shall have the right to conduct such sales on Grantor's premises or elsewhere and shall have the right to use Grantor's premises without charge for such sales for such time or times as the Agent may see fit. The Agent may, if it deems it reasonable, postpone or adjourn any sale of the Collateral from time to time by an announcement at the time and place of such postponed or adjourned sale, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Grantor agrees that the Agent has no obligation to preserve rights to the Collateral against prior parties or to marshal any Collateral for the benefit of any Person.

The Agent is hereby granted a license or other right to use, without charge, Grantor's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale and selling any Collateral and Grantor's rights under any license and any franchise agreement shall inure to the Agent's benefit. If any of the Collateral shall require repairs, maintenance, preparation or the like, or is in process or other unfinished state, the Agent shall have the right, but shall not be obligated, to perform such repairs, maintenance, preparation, processing or completion of manufacturing for the purpose of putting the same in such saleable form as the Agent shall deem appropriate, but the Agent shall have the right to sell or dispose of the Collateral without such processing and Grantor shall not have any claim against the Agent for the value that may have been added to such Collateral with such processing. In addition, Grantor agrees that in the event notice is necessary under applicable law, written notice mailed or delivered next day to Grantor in the manner specified herein ten (10) days prior to the date of public sale of any of the Collateral or prior to the date after which any private sale or other disposition of the Collateral will be made shall constitute commercially reasonable notice to Grantor; provided however, in the case of perishables, receipt of notice one (1) business day preceding such sale is agreed to be commercially reasonable notice to Grantor. All notice is hereby waived with respect to any of the Collateral which threatens to decline speedily in value or is of a type customarily sold on a recognized market. The Agent may purchase all or any part of the Collateral at public or, if permitted by law, private sale, free from any right of redemption which is hereby expressly waived by Grantor and, in lieu of actual payment of such purchase price, may set off the amount of such price against the Secured Obligations. The net cash proceeds resulting from the collection, liquidation, sale, lease or other disposition of the Collateral shall be applied first to the expenses (including all reasonable attorneys' fees) of retaking, holding, storing, processing and preparing for sale, selling, collecting, liquidating and the like, and then to the satisfaction of all Secured Obligations in accordance with the terms of Section 10.5 of the Credit Agreement. Any sale or other disposition of the Collateral and the possession thereof by the Agent shall be in compliance with all provisions of applicable law (including applicable provisions of the Uniform Commercial Code). Grantor shall be liable to the Agent, for the benefit of the Lenders, and shall pay to the Agent, for the benefit of the Lenders, on demand any deficiency which may remain after such sale, disposition, collection or liquidation of the Collateral.

13. Anti-Marshalling Provisions. The right is hereby given by Grantor to the Agent, for the benefit of the Secured Parties, to make releases (whether in whole or in part) of all or any part of the Collateral agreeable to the Agent without notice to, or the consent, approval or agreement of other parties and interests, including junior lienors, which releases shall not impair in any manner the validity of or priority of the Liens and security interests in the remaining Collateral conferred under such documents, nor release Grantor from personal liability for the Secured Obligations hereby secured. Notwithstanding the existence of any other security interest in the Collateral held by the Agent, for the benefit of the Secured Parties, the Agent shall have the right to determine the order in which any or all of the Collateral shall be subjected to the remedies provided in this Agreement. The proceeds realized upon the exercise of the remedies provided herein shall be applied by the Agent, for the benefit of the Secured Parties, in the manner provided in Section 10.5 of the Credit Agreement. Grantor hereby waives any and all right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.

14. Indemnity and Expenses.

(a) Grantor agrees to indemnify the Agent, for the benefit of the Secured Parties, from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement that are incurred by the Agent (including without limitation enforcement of this Agreement), except claims, losses or liabilities directly resulting from the Agent's gross negligence or willful misconduct.

(b) Grantor will upon demand pay to the Agent, for the benefit of the Secured Parties, the amount of any and all reasonable expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, that the Agent, for the benefit of the Lenders, may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Secured Parties, or (iv) the failure by Grantor to perform or observe any of the provisions hereof.

15. Appointment of Agent as Grantor's Lawful Attorney. Without limitation of any other provision of this Agreement, Grantor irrevocably designates, makes, constitutes and appoints the Agent (and all Persons designated by the Agent), for the benefit of the Secured Parties, as the Grantor's true and lawful attorney (and agent-in-fact) at all times on and after the occurrence and during the continuation of an Event of Default, to take all actions and to do all things required to be taken or done by the Grantor under this Agreement, including without limitation:

(a) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) above;

(c) to endorse Grantor's name on any checks, notes, drafts or any other payment relating to or constituting proceeds of the Collateral which comes into the Agent's possession or Agent's control, and deposit the same to the account of the Agent, for the benefit of the Lenders, on account and for payment of the Secured Obligations.

(d) to file any claims or take any action or institute any proceedings that the Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Agent, for the benefit of the Lenders, with respect to any of the Collateral; and

(e) to execute, in connection with the sale provided for in Section 11, any endorsement, assignments, or other instruments of conveyance or transfer with respect to the Collateral.

All acts of the Agent or its designee taken pursuant to this Section 15 are hereby ratified and confirmed by Grantor and the Agent or its designee shall not be liable for any acts of omission or commission nor for any error of judgment or mistake of fact or law, other than as a result of its gross negligence or willful misconduct. This power, being coupled with an interest, is irrevocable by Grantor until this Agreement has been terminated in accordance with Section 27 hereof.

16. Additional Collateral. If Grantor shall acquire or hold (a) any additional personal property or assets or (b) any personal property or assets of any Subsidiary not listed on Schedule I hereto which are required to be subject to any Security Instrument pursuant to the terms of Article IV or any other provision of the Credit Agreement (any such personal property or assets described in clauses (a) or (b) above being referred to herein as "Additional Collateral"), Grantor shall deliver to the Agent for the benefit of the Lenders (i) revised Schedules I, II, III, IV, V and VI hereto reflecting (A) the ownership of such Additional Collateral and (B) the affirmation, grant, pledge and assignment to the Agent for the benefit of the Lenders and the grant to the Agent for the benefit of the Lenders of a continuing first priority security interest in and to such Additional Collateral and (ii) a Security Agreement Supplement in the form of Exhibit A hereto with respect to such Additional Collateral duly completed and signed by Grantor. Grantor shall comply with the requirements of this Section 16 concurrently with the acquisition of any such Additional Collateral in the case of personal property or assets described in clause (a) above, and within the time period specified in Article IV or elsewhere in the Credit Agreement with respect to Additional Collateral described in clause (b) above.

17. Waivers. In addition to the other waivers contained herein, Grantor hereby expressly waives, to the extent permitted by law: presentment for payment, demand, protest, notice of demand, notice of protest, notice of default or dishonor, notice of payments and nonpayments and all other notices and consents to any action taken by the Agent unless expressly required by this Agreement.

18. **Trade Names.** Grantor represents that the only trade name(s) or style(s) used by Grantor are as set forth on Schedule V, next to the name of Grantor.

19. **Absolute Rights and Obligations.** All rights of the Secured Parties in the Security Interests granted hereunder, and each of the Secured Obligations, shall be absolute and unconditional irrespective of:

(a) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to departure from, the Credit Agreement or any other Loan Document, including, but not limited to, (i) an increase or decrease in the Secured Obligations and (ii) an amendment of any Loan Document to permit the Agent or the Lenders or any one or more of them to extend further or additional credit to the Borrower in any form including credit by way of loan, purchase of assets, guarantee or otherwise, which credit shall thereupon be and become subject to the Credit Agreement and the other Loan Documents as a Secured Obligation;

(b) any taking and holding of collateral or guarantees (including without limitation any collateral pledged as security for the Secured Obligations under the other Security Instruments) for all or any of the Secured Obligations; or any amendment, alteration, exchange, substitution, transfer, enforcement, waiver, subordination, termination or release of any such collateral or guarantees, or any non-perfection of any such collateral, or any consent to departure from any such guaranty;

(c) any manner of application of collateral, or proceeds thereof, securing payment or enforcement of all or any of the Secured Obligations, or the manner of sale of any such collateral;

(d) any consent by the Secured Parties to the change, restructure or termination of the corporate structure or existence of Grantor and any corresponding restructure of the Secured Obligations, or any other restructure or refinancing of the Secured Obligations or any portion thereof;

(e) any modification, compromise, settlement or release by the Secured Parties, by operation of law or otherwise, collection or other liquidation of the Secured Obligations or the liability of Borrower or any Subsidiary Grantor (other than the Grantor against which this Agreement is to be enforced), or of any collateral for the Secured Obligation (including without limitation any collateral pledged as security for the Secured Obligations under the other Security Instruments), in whole or in part, and any refusal of payment by the Agent or any Lender in whole or in part, from any obligor or Guarantor (other than the Grantor against which this Agreement is sought to be enforced) in connection with any of the Secured Obligations, whether or not with notice to, or further assent by, or any reservation of rights against, Grantor; or

(f) any other circumstance (including without limitation any statute of limitations) that might otherwise constitute a defense available to, or a discharge of, Grantor.

The granting of a Security Interest in the Collateral shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Secured Obligations is rescinded or must otherwise be returned by any Secured Party, upon the insolvency, bankruptcy or reorganization of the Borrower or Grantor or otherwise, all as though such payment had not been made.

20. Entire Agreement. This Agreement, together with the Credit Agreement, the Guaranty Agreement and other Loan Documents, constitutes and expresses the entire understanding between the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings, inducements, commitments or conditions, express or implied, oral or written, except as herein contained. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. Neither this Agreement nor any portion or provision hereof may be changed, altered, modified, supplemented, discharged, canceled, terminated, or amended orally or in any manner other than by an agreement, in writing signed by the parties hereto.

21. Further Assurances. Grantor agrees at its own expense to do such further acts and things, and to execute and deliver such additional conveyances, assignments, financing statements, agreements and instruments, as the Agent may at any time reasonably request in connection with the administration or enforcement of this Agreement or related to the Collateral or any part thereof or in order better to assure and confirm unto the Agent its rights, powers and remedies for the benefit of the Secured Parties hereunder and pay all charges, expenses and fees the Agent may reasonably incur in filing any of such documents and all taxes relating thereto. Grantor hereby consents and agrees that the issuers of or obligors in respect of the Collateral shall be entitled to accept the provisions hereof as conclusive evidence of the right of the Agent, on behalf of the Secured Parties, to exercise its rights hereunder with respect to the Collateral, notwithstanding any other notice or direction to the contrary heretofore or hereafter given by Grantor or any other Person to any of such issuers or obligors. Grantor agrees that a carbon, photographic, photostatic or other reproduction of this Agreement or a financing statement is sufficient as a financing statement and may be filed by the Agent in any filing office.

22. Binding Agreement; Assignment. This Agreement, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of the parties hereto, and to their respective successors and assigns, except that Grantor shall not be permitted to assign this Agreement or any interest herein or in the Collateral, or any part thereof, or otherwise pledge, encumber or grant any option with respect to the Collateral, or any part thereof, or any cash or property held by the Agent as Collateral under this Agreement without prior written consent of the Agent. All references herein to the Agent shall include any successor thereof, each Lender and any other obligees from time to time of the Obligations.

23. **Swap Agreements.** Any Rate Hedging Obligations of Grantor shall be deemed to be Secured Obligations secured hereby, and each Lender or affiliate of a Lender party to any agreement or arrangement of Grantor with respect to any such Rate Hedging Obligations shall be deemed to be a Secured Party hereunder.

24. **Severability.** The provisions of this Agreement are independent of and separable from each other. If any provision hereof shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of any other provision hereof, but this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

25. **Counterparts.** This Agreement may be executed in any number of counterparts and all the counterparts taken together shall be deemed to constitute one and the same instrument.

26. **Remedies Cumulative.** All remedies hereunder are cumulative and are not exclusive of any other rights and remedies of the Agent provided by law or under the Credit Agreement, the other Loan Documents, or other applicable agreements or instruments. The making of the Loans to, and issuing of Letters of Credit for the benefit of, the Borrower pursuant to the Credit Agreement and the extension of the Revolving Credit Facility to the Borrower pursuant to the Credit Agreement shall be conclusively presumed to have been made or extended, respectively, in reliance upon each Assignor's assignment of the Assigned Interests pursuant to the terms hereof.

27. **Termination.** This Agreement and all obligations of Grantor hereunder shall terminate on the Facility Termination Date, at which time the Liens and rights granted to the Agent for the benefit of the Secured Parties hereunder shall automatically terminate and no longer be in effect, and the Collateral shall automatically be released from the Liens created hereby. Upon such termination of this Agreement, the Agent shall, at the sole expense of the Grantor, reassign and redeliver to each applicable Grantor such Collateral then held by or for the Agent and execute and deliver to Grantor such documents as Grantor shall reasonably request and take such further actions as may be necessary to effect the same and as shall be reasonably acceptable to the Agent.

28. **Notices.** Any notice required or permitted hereunder shall be given, (a) with respect to any Grantor, at the Borrower's address indicated in Section 12.2 of the Credit Agreement and (b) with respect to the Agent or a Lender, at the Agent's address indicated in Section 12.2 of the Credit Agreement. All such notices shall be given and shall be effective as provided in Section 12.2 of the Credit Agreement.

29. **Governing Law; Venue; Waiver of Trial by Jury.**

(a) **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF FLORIDA APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED,**

IN SUCH STATE NOTWITHSTANDING ITS EXECUTION AND DELIVERY OUTSIDE SUCH STATE.

(b) GRANTOR HEREBY EXPRESSLY AND IRREVOCABLY AGREES AND CONSENTS THAT ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREIN MAY BE INSTITUTED IN ANY STATE OR FEDERAL COURT SITTING IN THE COUNTY OF BROWARD, STATE OF FLORIDA, UNITED STATES OF AMERICA AND, BY THE EXECUTION AND DELIVERY OF THIS AGREEMENT, GRANTOR EXPRESSLY WAIVES ANY OBJECTION THAT IT MAY HAVE NOW OR HEREAFTER TO THE LAYING OF THE VENUE OR TO THE JURISDICTION OF ANY SUCH SUIT, ACTION OR PROCEEDING, AND IRREVOCABLY SUBMITS GENERALLY AND UNCONDITIONALLY TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING.

(c) GRANTOR AGREES THAT SERVICE OF PROCESS MAY BE MADE BY PERSONAL SERVICE OF A COPY OF THE SUMMONS AND COMPLAINT OR OTHER LEGAL PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING, OR BY REGISTERED OR CERTIFIED MAIL (POSTAGE PREPAID) TO THE ADDRESS OF THE BORROWER PROVIDED BY SECTION 12.2 OF THE CREDIT AGREEMENT, AND IN ACCORDANCE WITH SECTION 12.2 OF THE CREDIT AGREEMENT, OR BY ANY OTHER METHOD OF SERVICE PROVIDED FOR UNDER THE APPLICABLE LAWS IN EFFECT IN THE STATE OF FLORIDA.

(d) NOTHING CONTAINED IN SUBSECTIONS (b) OR (c) HEREOF SHALL PRECLUDE THE AGENT OR ANY LENDER FROM BRINGING ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS IN THE COURTS OF ANY PLACE WHERE GRANTOR OR ANY OF GRANTOR'S PROPERTY OR ASSETS MAY BE FOUND OR LOCATED. TO THE EXTENT PERMITTED BY THE APPLICABLE LAWS OF ANY SUCH JURISDICTION, GRANTOR HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT AND EXPRESSLY WAIVES, IN RESPECT OF ANY SUCH SUIT, ACTION OR PROCEEDING, THE JURISDICTION OF ANY OTHER COURT OR COURTS WHICH NOW OR HEREAFTER, BY REASON OF ITS PRESENT OR FUTURE DOMICILE, OR OTHERWISE, MAY BE AVAILABLE TO IT.

(e) IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES UNDER OR RELATED TO THIS AGREEMENT OR ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR THAT MAY IN THE FUTURE BE DELIVERED IN CONNECTION WITH THE FOREGOING, GRANTOR AND THE AGENT ON

BEHALF OF THE LENDERS HEREBY AGREE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY AND EACH PARTY HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY HAVE THAT EACH ACTION OR PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

30. Definitions. All terms used herein shall be defined in accordance with the appropriate definitions appearing in the Uniform Commercial Code as in effect in Florida, and such definitions are hereby incorporated herein by reference and made a part hereof.

[SIGNATURE PAGES FOLLOW]

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

GRANTOR:

FLOWER CLUB INTERNATIONAL, INC.

WITNESS:

A. Calves Arana.

Laura D. Matsum

By: Albert J. Ditz
Name: Albert J. Ditz
Title: Sr. V.P.

AGENT:

**NATIONSBANK, NATIONAL ASSOCIATION,
as Agent for the Lenders**

WITNESS:

Jerry L. Witcher

By: Miles C. Dearden III
Name: Miles C. Dearden III
Title: Senior Vice President

SIGNATURE PAGE 2 OF 2

**TRADEMARK
REEL: 002125 FRAME: 0788**

SCHEDULE I
List of Guarantors

Flower Club International, Inc., a Florida corporation

SCHEDULE II
Location of Accounts

8075 20th Street
Vero Beach, Florida 32966

SCHEDULE III
Location of Inventory

Address	Property Owner
8075 20 th Street Vero Beach, Florida 32966	Florafax International, Inc.

SCHEDULE IV
Location of Equipment

Address	Property Owner
8075 20 th Street Vero Beach, Florida 32966	Florafax International, Inc.

SCHEDULE V
Trade Names and Styles

The Flower Club
Floranet
Flower Club International, Inc.

SCHEDULE VI
List of General Intangibles

1. "The Flower Club" Service Mark, Registered in the United States, Number 1774749.
2. "The Flower Club" Trademark, Registered in the United Kingdom, Number 2148433.
3. "The Flower Club" Trademark, Registered in the Canada, Number TMA500827.
4. "800-800-SEND" Service Mark, Registered in the United States, Number 1976365.

SECURITY AGREEMENT SUPPLEMENT

THIS SECURITY AGREEMENT SUPPLEMENT (this "Supplement"), dated as of _____, _____ is made by and between **FLOWER CLUB INTERNATIONAL, INC.**, a Florida corporation (the "Grantor"), and **NATIONSBANK, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States, as Agent (the "Agent") for each of the financial institutions (the "Lenders") now or hereafter party to the Amended and Restated Credit Agreement dated as of June 4, 1999 among such Lenders, the Agent, Gerald Stevens, Inc. and Gerald Stevens Retail, Inc. (the "Credit Agreement"). All capitalized terms used but not otherwise defined herein shall have the respective meanings assigned thereto in the Security Agreement (as defined below).

WHEREAS, the Grantor is a party to that certain Security Agreement dated June 4, 1999, by and among Gerald Stevens Retail, Inc., Gerald Stevens, Inc., the Grantor, the Guarantors and the Agent (the "Security Agreement") granting a security interest in all of the personal property and assets of such Grantor to the Agent for the benefit of the Lenders; and

WHEREAS, the Grantor has acquired Additional Collateral and pursuant to the terms of the Security Agreement the Grantor is required to (i) confirm that the Additional Collateral is subject to the Security Agreement and (ii) submit revised Schedules I, II, III, IV, V and VI to the Security Agreement necessary to reflect the Additional Collateral; and

WHEREAS, a material part of the consideration given in connection with and as an inducement to the execution and delivery of the Credit Agreement by the Secured Parties was the obligation of the Grantor to grant to the Agent for the benefit of the Lenders a first priority security interest in and to the Additional Collateral; and

WHEREAS, the Secured Parties have required the Grantor to grant to the Agent for the benefit of the Lenders a first priority security interest in and to all of the Additional Collateral in accordance with the terms of the Security Agreement;

NOW, THEREFORE, the Grantor hereby agrees as follows with the Agent, for the benefit of the Lenders:

1. The Grantor hereby affirms the grant to the Agent for the benefit of the Lenders of a first priority lien and security interest in and to, the Additional Collateral as collateral security for the payment, performance and satisfaction of the Secured Obligations in accordance with the terms of the Security Agreement.

2. The Grantor further acknowledges, agrees and confirms that, by its execution of this Supplement, the Additional Collateral constitutes "Collateral" under and is subject to the Security Agreement. Each of the representations and warranties with respect to Collateral contained in the Security Agreement is hereby made by the Grantor with respect to the Additional Collateral. The necessary supplements to Schedules I, II, III, IV, V and VI to the Security Agreement reflecting the Additional Collateral, together with any additional documentation required to be delivered to the Agent pursuant to the Security Agreement, have been delivered herewith to the Agent.

IN WITNESS WHEREOF, the Grantor has caused this Supplement to be duly executed by its authorized officer as of the day and year first above written.

FLOWER CLUB INTERNATIONAL, INC.

By: _____

Name: _____

Title: _____

Acknowledged and accepted:

NATIONSBANK, NATIONAL ASSOCIATION,
as Agent for the Lenders

By: _____

Name: _____

Title: _____