

07-31-2001



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FORM PTO-1594
(Rev. 3/01)

RECORDATION FORM COVER SHEET

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

OMB No. 0651-0027 (exp. 5/31/2002)

TRADEMARKS ONLY

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

<p>1. Name of conveying party(ies):</p> <p>iHarvest Corporation <i>07/24/01</i></p> <p><input type="checkbox"/> Individual(s) <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Partnership <input checked="" type="checkbox"/> Corporation – California <input type="checkbox"/> Other</p> <p>Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <hr/> <p>3. Nature of conveyance:</p> <p><input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other</p> <p>Execution Date(s): June 25, 2001</p>	<p>2. Name and address of receiving party(ies):</p> <p>Name: St. Paul Venture Capital VI, LLC</p> <p>Internal Address:</p> <p>Street Address: 10400 Viking Drive Suite 550 <i>07/24/2001</i></p> <p>City: Eden Prairie State: MN ZIP: 55344</p> <p><input type="checkbox"/> Individual(s) citizenship <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Corporation - State <input checked="" type="checkbox"/> Other – Delaware Limited Liability Company</p> <p><small>If assignee is not domiciled in the United States, a domestic representative designation is attached. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (Designations must be a separate document from assignment) Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</small></p>
<p>4. Application number(s) or trademark number(s):</p> <p>A. Trademark Application No(s).</p> <p>76/039,296 - IHARVEST & Design 75/694,697 - IHARVEST</p> <p><small>Additional numbers attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</small></p>	<p>B. Trademark No(s)</p>
<p>5. Name and address of party to whom correspondence concerning document should be mailed:</p> <p>Name: Steven Lieske Internal Address: 3300 Plaza VII Building Street Address: 45 South Seventh Street City: Minneapolis State: MN ZIP: 55402 Our File No.: 13734/147</p>	<p>6. Total number of applications and registrations involved: 2</p> <p>7. Total Fee (37 CFR 3.41) \$65.00.</p> <p><input checked="" type="checkbox"/> Enclosed <input type="checkbox"/> Authorized to be charged to deposit account <input checked="" type="checkbox"/> Authorized to charge any underpayment or credit any overpayment to deposit account.</p> <p>8. Deposit account number: 15-0627</p> <p><small>(Attach duplicate copy of this page if paying by deposit account.)</small></p>
DO NOT USE THIS SPACE	
<p>9. Statement and signature. <i>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.</i></p> <p><u>Steven Lieske</u> <i>Steven Lieske</i> <u>7/20/2001</u> Name of Person Signing Signature Date</p> <p><small>Total number of pages including cover sheet, attachments, and document: 10 Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231</small></p>	

07/30/2001 TDI A21 00000137 76039296

01 FC:481 40.00 OP
02 FC:482 25.00 OP

TC2: 532264 v01 07/20/2001

TRADEMARK
REEL: 002336 FRAME: 0679

SECURITY AGREEMENT

This SECURITY AGREEMENT (this "Agreement") is made this 25th day of June, 2001, by iHarvest Corporation, a California corporation ("Grantor"), for the benefit of each of the investors executing a signature page hereto (each, a "Secured Party" and collectively, the "Secured Parties").

Recitals:

A. Pursuant to that certain Bridge Loan Agreement of even date herewith (the "Bridge Loan Agreement"), each Secured Party has agreed to make a loan to Grantor (each a "Bridge Loan" and collectively, the "Bridge Loans") in the applicable amount set forth in and evidenced by a Convertible Secured Promissory Note (each a "Note" and collectively, the "Notes"). Capitalized terms used in this Agreement and not otherwise defined shall have the meanings given in the Notes (and any "Additional Notes," as such term is defined in the Bridge Loan Agreement).

B. In order to induce each Secured Party to make its Bridge Loan, Grantor agrees to grant to the Secured Parties a priority security interest in all its assets, including, without limitation, all furniture, fixtures, equipment, inventory, accounts, accounts receivable, patents, licenses, and general intangibles (including Grantor's patent and any other intellectual property rights) in which Grantor has any right, title, or interest, whether now owned or hereafter arising (the "Collateral").

Agreements:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor covenants as follows:

1. Security Interest.

1.1 Grant of Security Interest. To secure timely and full payment under the Notes (and Additional Notes, if any), Grantor hereby grants to the Secured Parties a security interest in the Collateral.

1.2 Rights of Grantor. So long as there shall exist no Event of Default, Grantor shall have the right to possess and use the Collateral.

1.3 Priority. The security interest granted pursuant to this Agreement shall be a first priority security interest in the Collateral.

1.4 Secured Party Agent. Grantor acknowledges that the Secured Parties have entered into an Intercreditor Agreement dated of even date herewith in which the Secured Parties have appointed and authorized a Secured Party Agent to act on their behalf with respect to the security interest granted hereunder. The Company shall be entitled to rely upon the appointment set forth in the Intercreditor Agreement and may deal solely with the Secured Party Agent with respect to the security interest granted hereunder. In the event the Secured Party Agent resigns or is replaced, the Company shall be given prompt written notice of such change and the name of the replacement agent. From and after

receipt of such notice, the Company shall deal with the new Secured Party Agent to the same extent as would apply had the new Secured Party Agent been initially appointed in the Intercreditor Agreement.

2. Default and Remedies. Except as provided in the Intercreditor Agreement entered into as of the date hereof by and among the parties hereto (the "Intercreditor Agreement"), upon the occurrence of an Event of Default and while it is continuing, the Secured Parties shall be entitled to any one or more of the remedies provided for under the Uniform Commercial Code in effect in California with respect to the Collateral, in addition to any rights and remedies available under the Notes (and Additional Notes, if any) or applicable law or in equity. The Secured Parties shall be entitled to recover costs and expenses reasonably incurred in connection with such Event of Default, including, without limitation, reasonable attorneys' fees. To the extent permitted by applicable law, every right and remedy under this Agreement is distinct and cumulative to other rights and remedies under this Agreement, and may be exercised concurrently, independently, successively, or in any order whatsoever.

3. Term. This Agreement shall remain in full force and effect until the date as of which the Notes (and Additional Notes, if any) have been paid in full or satisfied pursuant to the conversion provisions described therein.

4. Further Actions. Grantor agrees that it shall execute financing statements, record this Agreement with the U.S. Patent and Trademark Office, and take whatever other action is reasonably requested by the Secured Party Agent to establish, determine priority of, perfect, continue perfected, terminate, and/or enforce the Secured Parties' rights under this Agreement and otherwise to effectuate the purposes and provisions of this Agreement. However, the parties hereto agree that no assignment of patents or trademarks will be required in order to perfect the security interest granted herein.

5. Notices. Except to the extent expressly provided in this Agreement, notices under this Agreement and pursuant to the Notes and the Additional Notes shall be in writing and shall be deemed effectively given upon: (i) personal delivery to the other party to be notified; (ii) the date of a confirmed facsimile transmission; or (iii) one (1) business day after deposit with a nationally recognized overnight courier service, fees paid, for next day delivery; or (iv) three (3) business days after deposit with the United States Post Office, by registered or certified mail, postage prepaid, and addressed to the party to be notified at the address set forth for such party on the signatures pages hereof, or at such other address as either party may designate by written notice to the other party hereafter.

6. Other Representations, Warranties, and Covenants.

6.1 As of the date hereof, all Collateral is free and clear from any lien, security interest, or encumbrance, except as set forth in the Schedule of Exceptions attached as Schedule 1 hereto. Grantor will take all reasonable diligent efforts to defend the Collateral and Secured Parties against any claim or demand of any other person or entity claiming any interest in the Collateral.

6.2 Upon request, Grantor shall deliver to Secured Parties a detailed list of Collateral by description and location. Secured Parties may examine and inspect the Collateral upon reasonable notice given to Grantor.

7. Governing Law. This Agreement shall be construed, interpreted and applied in accordance with the laws of the State of California, without regard to the principles of the conflicts of law thereof.

8. Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument.

9. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties hereto concerning the subject matter hereof, and supersedes and cancels all previous agreements among them concerning such subject matter.

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

Grantor:

iHARVEST CORPORATION

By: W. Mautner

Title: CFO

Address: 180 Shoreline DR
REDWOOD STORES, CA 94065

[SIGNATURE PAGE 1 OF SECURITY AGREEMENT.]

Upon payment in full of the Notes (and Additional Notes, if any) or satisfaction of the Notes (and Additional Notes, if any) pursuant to the conversion provisions described therein, the Secured Parties agree to execute all UCC Termination Statements and other documents necessary to release the security interest in the Collateral granted under this Agreement.

Secured Parties:

ST. PAUL VENTURE CAPITAL VI, LLC

By: SPVC Management VI, LLC

Its: Managing Member

By: 

Title: Managing Director

Address: Suite 550
10400 Viking Drive
Eden Prairie, MN 55344

MACROMEDIA, INC.

By: _____

Title: _____

Address: 600 Townsend Street
San Francisco, CA 94103

THIRTY-FIVE EAST PARTNERS (FOUR) LLC

By: _____

Title: _____

Address: 35 East 62nd Street
New York, NY 10021
Attn: Chief Financial Officer

ADDITIONAL INVESTORS:

[FOR ENTITY INVESTOR USE:]

[FOR INDIVIDUAL INVESTOR USE:]

Name: _____

Name: _____
[Type or Print Name]

By: _____

Signature: _____
[Sign Here]

Title: _____

[SIGNATURE PAGE 2 OF SECURITY AGREEMENT.]

Upon payment in full of the Notes (and Additional Notes, if any) or satisfaction of the Notes (and Additional Notes, if any) pursuant to the conversion provisions described therein, the Secured Parties agree to execute all UCC Termination Statements and other documents necessary to release the security interest in the Collateral granted under this Agreement.

Secured Parties: ST. PAUL VENTURE CAPITAL VI, LLC
By: SPVC Management VI, LLC
Its: Managing Member

By: _____

Title: _____

Address: Suite 550
10400 Viking Drive
Eden Prairie, MN 55344

MACROMEDIA, INC.

By: John E. Hillery

Title: Senior Vice President

Address: 600 Townsend Street
San Francisco, CA 94103

THIRTY-FIVE EAST PARTNERS (FOUR) LLC

By: _____

Title: _____

Address: 35 East 62nd Street
New York, NY 10021
Attn: Chief Financial Officer

**ADDITIONAL INVESTORS:
[FOR ENTITY INVESTOR USE:]**

[FOR INDIVIDUAL INVESTOR USE:]

Name: _____

Name: _____
[Type or Print Name]

By: _____

Signature: _____
[Sign Here]

Title: _____

[SIGNATURE PAGE 2 OF SECURITY AGREEMENT.]

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Secured Parties:

ST. PAUL VENTURE CAPITAL VI, LLC
By: SPVC Management VI, LLC
Its: Managing Member

By: _____

Title: _____

Address: Suite 550
10400 Viking Drive
Eden Prairie, MN 55344

MACROMEDIA, INC.

By: _____

Title: _____

Address: 600 Townsend Street
San Francisco, CA 94103

THIRTY-FIVE EAST PARTNERS (FOUR) LLC

By: 

Todd J. Slotkin
Executive Vice President

Address: 35 East 62nd Street
New York, NY 10021
Attn: Chief Financial Officer

ADDITIONAL INVESTORS:
[FOR ENTITY INVESTOR USE:]

[FOR INDIVIDUAL INVESTOR USE:]

Name: _____

Name: _____
[Type or Print Name]

By: _____

Signature: _____
[Sign Here]

Title: _____

[SIGNATURE PAGE 2 OF SECURITY AGREEMENT.]

Schedule 1 to Security Agreement

iHARVEST CORPORATION

**Schedule of Exceptions
to Bridge Loan Agreement and
Security Agreement**

June 22, 2001

The following are exceptions to the representations and warranties set forth in Section 7 of the Bridge Loan Agreement of even date herewith (the "*Loan Agreement*") among iHarvest Corporation, a California corporation (the "*Company*"), and certain of the Company's shareholders who are parties thereto (the "*Investors*"), and to the representations and warranties set forth in Section 6 of the Security Agreement of even date herewith (the "*Security Agreement*") among the Company and the Investors. This Schedule of Exceptions is true and complete as of the date set forth above.

Section 7.4 of the Loan Agreement and Section 6.1 of the Security Agreement.

The Company's assets are subject to unperfected purchase money security interests from time to time concerning goods purchased, but for which the Company has not yet paid the purchase price.

The Company's assets are subject to liens for taxes not yet due and payable.

There are restrictions, charges and encumbrances imposed on the Company's properties and assets by (a) licenses of the Company's products, and maintenance and development agreements entered into by the Company with its customers, in the ordinary course of business, (b) the lease by the Company of real property and certain equipment from its landlord, (c) licenses by the Company of products from others in the ordinary course of the Company's business, (d) the liquidation preference set forth in the Company's Amended and Restated Articles of Incorporation and (e) restrictions imposed by law in general, such as the laws of bankruptcy and insolvency, on the Company's ability to dividend, distribute or dispose of the Company's assets and properties.

Section 7.6 of the Loan Agreement. A lawsuit has been brought by eMachines, Inc. ("*eMachines*") against the Company alleging approximately \$245,000 in damages arising out of an alleged breach of contract by the Company. The Company has made an offer to settle the litigation upon the payment of \$15,000 to eMachines and this offer has been approved by eMachines in concept. Counsel for eMachines has offered to prepare settlement documents for signature but the documents have not been received to date.

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