

08-13-2001



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

RECO
TRADEMARKS
101809516

DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

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

1. Name of conveying party(ies):

Petals, Inc.

8-1-01
3:30-01

- Individual(s)
- Association
- General Partnership
- Limited Partnership
- Corporation-State
- Other _____

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment
- Merger
- Security Agreement
- Change of Name
- Other **Corrective Document, Reel 002271, Frame 0294**

Execution Date: **March 19, 2001**

2. Name and address of receiving party(ies)

Name: **Interiors Investors, L.L.C.**

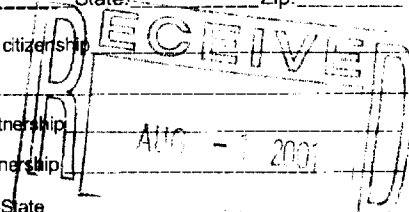
Internal Address: _____

Street Address: **100 E. Huron Street**

City: **Chicago** State: **IL** Zip: **60616**

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State
- Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No



4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

Incorrectly listed on original transmittal as 2,153,604.

B. Trademark Registration No.(s)

2,153,605

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: **Debra A. Kozlowski**

Internal Address: **Sidley Austin Brown & Wood**

Street Address: **Bank One Plaza**

10 S. Dearborn Street

City: **Chicago** State: **IL** Zip: **60603**

6. Total number of applications and registrations involved: **1**

7. Total fee (37 CFR 3.41).....\$ **40.00**

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

19-2165

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Debra A. Kozlowski

Name of Person Signing

Debra A. Kozlowski

Signature

August 1, 2001

Date

22

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

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

08/10/2001 AMWED1 00000168 192165 2153604

01 FC:481 40.00 CH

TRADEMARK
REEL: 002345 FRAME: 0229

04-16-2001



101673305

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

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 Change of Name
 - Other _____
- Effective Date
Month Day Year

Conveying Party

Mark if additional names of conveying parties attached

Name Petals, Inc.

Execution Date
Month Day Year
March 19, 2001

Formerly _____

75906031

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

Receiving Party

Mark if additional names of receiving parties attached

Name Interiors Investors, L.L.C.

DBA/AKATA _____

Composed of _____

Address (line 1) 100 E. Huron Street

Address (line 2) _____

Address (line 3) Chicago

Illinois

60616

- Individual General Partnership Limited Partnership
- Corporation Association
- Other _____
- 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.)

FOR OFFICE USE ONLY

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

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" value="75/906,031"/>	<input type="text" value="75/906,032"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

<input type="text" value="2,191,909"/>	<input type="text" value="1,592,150"/>	<input type="text" value="2,004,870"/>
<input type="text" value="1,347,508"/>	<input type="text" value="1,348,408"/>	<input type="text" value="1,348,165"/>
<input type="text" value="2,153,604"/>	<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.

Debra A. Kozlowski

Name of Person Signing

Debra A. Kozlowski

Signature

March 29, 2001

Date Signed

TRADEMARK SECURITY AGREEMENT

THIS TRADEMARK SECURITY AGREEMENT ("Agreement") is made as of March 19, 2001, by and between Petals, Inc., a Delaware corporation ("Grantor"), and Interiors Investors, L.L.C., a Delaware limited liability company (the "Lender").

WITNESSETH:

WHEREAS, concurrently herewith the Lender has made a Term Loan to Stylecraft Lamps, Inc., a Tennessee corporation ("Stylecraft"), and Grantor (together with Stylecraft, the "Borrowers") in an original aggregate principal amount equal to U.S. \$5,000,000 pursuant to, and on the terms and conditions set forth in, a Promissory Note (as amended, restated, supplemented or otherwise modified, the "Promissory Note") dated as of even date herewith issued by the Borrowers to the Lender;

WHEREAS, Grantor and the Lender are parties to that certain Security Agreement dated as of March 19, 2001 (as the same may hereafter be modified, amended, restated or supplemented from time to time, the "Security Agreement"), pursuant to which Grantor has granted a security interest in certain of its assets to the Lender; and

WHEREAS, the Grantor, a wholly-owned subsidiary of Interiors, Inc., a Delaware corporation, one of the Borrowers and an affiliate of Stylecraft, will benefit directly or indirectly from the loans and other financial accommodations made to the Borrowers under the Promissory Note;

WHEREAS, the Lenders have required Grantor to execute and deliver this Agreement (i) in order to secure the prompt and complete payment, observance and performance when due (whether at stated maturity, by acceleration or otherwise) of all of the "Obligations" (as defined in the Promissory Note) and (ii) as a condition precedent to any extension of credit to the Borrowers under the Promissory Note;

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

Section 1. Defined Terms.

(A) Unless otherwise defined herein, each capitalized term used herein that is defined in the Promissory Note shall have the meaning specified for such term in the Promissory Note. Unless otherwise defined herein or in the Promissory Note, each capitalized term used herein that is defined in the Security Agreement shall have the meaning specified for such term in the Security Agreement.

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

(C) All terms defined in this Agreement in the singular shall have comparable meanings when used in the plural, and vice versa, unless otherwise specified.

Section 2. Incorporation of Premises. The premises set forth above are incorporated into this Agreement by this reference thereto and are made a part hereof.

Section 3. Incorporation of the Promissory Note. The Promissory Note and the terms and provisions thereof are hereby incorporated herein in their entirety by this reference thereto.

Section 4. Security Interest in Trademarks. To secure the complete and timely payment, performance and satisfaction when due (whether at stated maturity, by acceleration or otherwise) of all of the Obligations, Grantor hereby grants to the Lender a security interest in, as and by way of a mortgage and security interest having priority over all other security interests (except as provided in the Intercreditor Agreement), with power of sale to the extent permitted by applicable law, all of Grantor’s now owned or existing and hereafter acquired or arising:

(i) trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications, including, without limitation, the trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications listed on Schedule A attached hereto and made a part hereof, and (a) all renewals thereof, (b) all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (c) the right to sue for past, present and future infringements and dilutions thereof, (d) the goodwill of Grantor’s business symbolized by the foregoing and connected therewith, and (e) all of Grantor’s rights corresponding thereto throughout the world (all of the foregoing trademarks, registered trademarks and trademark applications, and service marks, registered service marks and service mark applications, together with the items described in clauses (a)-(e) in this paragraph 4(i), are sometimes hereinafter individually and/or collectively referred to as the “Trademarks”); and

(ii) rights under or interest in any trademark license agreements or service mark license agreements with any other party, whether Grantor is a licensee or licensor under any such license agreement, including, without limitation, those trademark license agreements and service mark license agreements listed on Schedule B attached hereto and made a part hereof, together with any goodwill connected with and symbolized by any such trademark license agreements or service mark license agreements, and the right, following the occurrence and during the continuance of an Event of Default, to prepare for sale and sell any and all Inventory now or hereafter owned by Grantor and now or hereafter

covered by such licenses (all of the foregoing are hereinafter referred to collectively as the "Licenses").

Section 5. Restrictions on Future Agreements. Grantor will not, without the Lender's prior written consent, enter into any agreement, including, without limitation, any license agreement, which is inconsistent with this Agreement, and Grantor further agrees that it will not take any action, and will use its commercially reasonable best efforts not to permit any action to be taken by others, including, without limitation, licensees, or fail to take any action, which would in any respect affect the validity or enforcement of the rights transferred to the Lender under this Agreement or the rights associated with the Trademarks or Licenses.

Section 6. New Trademarks and Licenses. Grantor represents and warrants that, from and after the Closing Date, (a) the Trademarks listed on Schedule A include all of the trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications now owned or held by Grantor, (b) the Licenses listed on Schedule B include all of the trademark license agreements and service mark license agreements under which Grantor is the licensee or licensor and (c) no liens, claims or security interests in such Trademarks and Licenses have been granted by Grantor to any Person other than the Lender, and Foothill Capital Corporation under the Senior Credit Agreement and related loan documents. If, prior to the termination of this Agreement, Grantor shall (i) obtain rights to any new trademarks, registered trademarks, trademark applications, service marks, registered service marks or service mark applications, (ii) become entitled to the benefit of any trademarks, registered trademarks, trademark applications, trademark licenses, trademark license renewals, service marks, registered service marks, service mark applications, service mark licenses or service mark license renewals whether as licensee or licensor, or (iii) enter into any new trademark license agreement or service mark license agreement, the provisions of paragraph 4 above shall automatically apply thereto. Grantor shall give to the Lender written notice of events described in clauses (i), (ii) and (iii) of the preceding sentence promptly after the occurrence thereof, but in any event not less frequently than on a quarterly basis. Grantor hereby authorizes the Lender to modify this Agreement unilaterally (i) by amending Schedule A to include any future trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications and by amending Schedule B to include any future trademark license agreements and service mark license agreements, which are Trademarks or Licenses under paragraph 4 above or under this paragraph 6, and (ii) by filing, in addition to and not in substitution for this Agreement, a duplicate original of this Agreement containing on Schedule A or B thereto, as the case may be, such future trademarks, registered trademarks, trademark applications, service marks, registered service marks and service mark applications, and trademark license agreements and service mark license agreements.

Section 7. Royalties. Grantor hereby agrees that the use by the Lender of the Trademarks and Licenses as authorized hereunder in connection with the Lender's exercise of its rights and remedies under paragraph 15 or pursuant to Section 5.1 of the Security Agreement shall be coextensive with Grantor's rights thereunder and with respect thereto and without any liability for royalties or other related charges from the Lender to Grantor.

Section 8. Right to Inspect; Further Assignments and Security Interests; Releases; Subordination.

(A) The Lender may at all reasonable times upon reasonable prior notice (and at any time when an Event of Default exists) have access to, examine, audit, make copies (at Grantor's expense) and extracts from and inspect Grantor's premises and examine Grantor's books, records and operations relating to the Trademarks and Licenses; provided, that in conducting such inspections and examinations, the Lender shall use reasonable efforts not to disturb unnecessarily the conduct of Grantor's ordinary business operations. After the occurrence and during the continuance of an Event of Default, Grantor agrees that the Lender, or a conservator appointed by the Lender, shall have the right to establish such reasonable additional product quality controls as the Lender or such conservator, in its sole and absolute judgment, may deem necessary to assure maintenance of the quality of products sold by Grantor under the Trademarks and the Licenses or in connection with which such Trademarks and Licenses are used. Grantor agrees (i) not to sell or assign its respective interests in, or grant any license under, the Trademarks or the Licenses without the prior and express written consent of the Lender, (ii) to maintain the quality of such products as of the date hereof, and (iii) not to reduce the quality of such products in any material respect without the Lender's prior and express written consent.

(B) Notwithstanding anything contained in this Agreement to the contrary the Grantor shall have the right (and the Lender shall be deemed to have consented thereto) to sell or transfer, or permit the sale or transfer, of all or substantially all of the assets (including, without limitation, any Equipment) or the issued and outstanding equity securities of the Borrowers or any of their respective subsidiaries, to any corporation, partnership, limited liability company or other entity or natural person, in either case, only so long as (x) no Event of Default shall have occurred and be continuing, (y) Interiors shall have obtained the written consent of Foothill Capital Corporation in accordance with the terms of the Senior Credit Agreement in respect of such sale or transfer (a copy of which consent shall have been provided to the Lender), and (z) concurrently with the completion of any such sale, the Borrowers shall comply with the terms and provisions of the Promissory Note relating to the distribution or other use of any proceeds from any such sale. The Grantor shall give the Lender not less than thirty (30) days' prior written notice of any such sale, which notice shall state the expected closing date thereof. Promptly after its receipt of such notice, the Lender shall, at the Grantor's expense, take all steps reasonably necessary and appropriate to, and shall, subject to the satisfaction of the requirements set forth in the first sentence of this clause (B), release the liens granted to it hereunder effective as of the closing date of any such sale.

(C) If the Grantor shall elect to sell or transfer, or permit the sale or transfer, of less than a substantial portion of its assets or the assets of any of its subsidiaries, other than in the ordinary course of business, then it shall obtain the prior written consent of the Lender prior to the completion of any such sale or transfer. The Lender agrees that, in connection with the granting of such consent, if required, it shall, at the Grantor's expense, take all steps reasonably necessary and appropriate to, and shall, subject to the satisfaction of the requirements set forth in the Promissory Note in respect of the application of the proceeds of such sale or transfer, if applicable, release the liens granted to it hereunder effective as of the closing date of any such sale.

(D) Notwithstanding any provision of this Agreement to the contrary, each of the Grantor and the Lender consents and agrees that all amounts payable hereunder, all of Grantor's obligations hereunder, and all liens granted hereunder, shall be subordinated to the extent set forth in the Intercreditor Agreement. To the extent that any provision herein shall conflict with the provisions of the Intercreditor Agreement, so long as the Intercreditor Agreement shall be in effect, the terms of the Intercreditor Agreement shall prevail.

Section 9. Nature and Continuation of the Lender's Security Interest; Termination of the Lender's Security Interest. This Agreement is made for collateral security purposes only. This Agreement shall create a continuing security interest in the Trademarks and Licenses and shall terminate only when the Obligations have been paid in full in cash and the Promissory Note and the Security Agreement have been terminated. When this Agreement has terminated, the Lender shall promptly execute and deliver to Grantor, at Grantor's expense, all termination statements and other instruments as may be necessary or proper to terminate the Lender's security interest in the Trademarks and the Licenses, subject to any disposition thereof which may have been made by the Lender pursuant to this Agreement or the Security Agreement.

Section 10. Duties of Grantor. Grantor shall have the duty, to the extent desirable in the normal conduct of Grantor's business, to: (i) prosecute diligently any trademark application or service mark application that is part of the Trademarks pending as of the date hereof or hereafter until the termination of this Agreement, and (ii) make application for trademarks or service marks. Grantor further agrees (i) not to abandon any Trademark or License without the prior written consent of the Lender, and (ii) to use its commercially reasonable best efforts to maintain in full force and effect the Trademarks and the Licenses that are or shall be necessary or economically desirable in the operation of Grantor's business. Any expenses incurred in connection with the foregoing shall be borne by Grantor. The Lender shall have no duty with respect to the Trademarks and Licenses. Without limiting the generality of the foregoing, the Lender shall be under no obligation to take any steps necessary to preserve rights in the Trademarks or Licenses against any other parties, but the Lender may do so at its option from and after the occurrence and during the continuance of an Event of Default, and all expenses incurred in connection therewith shall be for the sole account of Grantor and shall be added to the Obligations secured hereby.

Section 11. The Lender's Right to Sue. After the occurrence and during the continuance of an Event of Default, the Lender shall have the right, but shall not be obligated, to bring suit in its own name to enforce the Trademarks and the Licenses and, if the Lender shall commence any such suit, Grantor shall, at the request of the Lender, do any and all lawful acts and execute any and all proper documents required by the Lender in aid of such enforcement. Grantor shall, upon demand, promptly reimburse the Lender for all costs and expenses incurred by the Lender in the exercise of its rights under this paragraph 11 (including, without limitation, reasonable fees and expenses of attorneys and paralegals for the Lender).

Section 12. Waivers. The Lender's failure, at any time or times hereafter, to require strict performance by Grantor of any provision of this Agreement shall not waive, affect or diminish any right of the Lender thereafter to demand strict compliance and performance therewith nor shall any course of dealing between Grantor and the Lender have such effect. No

single or partial exercise of any right hereunder shall preclude any other or further exercise thereof or the exercise of any other right. None of the undertakings, agreements, warranties, covenants and representations of Grantor contained in this Agreement shall be deemed to have been suspended or waived by the Lender unless such suspension or waiver is in writing signed by an officer of the Lender and directed to Grantor specifying such suspension or waiver.

Section 13. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but the provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part hereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

Section 14. Modification. This Agreement cannot be altered, amended or modified in any way, except as specifically provided in paragraph 6 hereof or by a writing signed by the parties hereto.

Section 15. Cumulative Remedies; Power of Attorney. Grantor hereby irrevocably designates, constitutes and appoints the Lender (and all Persons designated by the Lender in its sole and absolute discretion) as Grantor's true and lawful attorney-in-fact, and authorizes the Lender and any of the Lender's designees, in Grantor's or the Lender's name, to take any action and execute any instrument which the Lender may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, after the occurrence and during the continuance of an Event of Default and the giving by the Lender of notice to Grantor of the Lender's intention to enforce its rights and claims against Grantor, to (i) endorse Grantor's name on all applications, documents, papers and instruments necessary or desirable for the Lender in the use of the Trademarks or the Licenses, (ii) assign, pledge, convey or otherwise transfer title in or dispose of the Trademarks or the Licenses to anyone on commercially reasonable terms, (iii) grant or issue any exclusive or nonexclusive license under the Trademarks or, to the extent permitted, under the Licenses, to anyone on commercially reasonable terms, and (iv) take any other actions with respect to the Trademarks or the Licenses as the Lender deems in its own best interest. Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable until all of the Obligations shall have been paid in full in cash and the Promissory Note shall have been terminated. Grantor acknowledges and agrees that this Agreement is not intended to limit or restrict in any way the rights and remedies of the Lender under the Security Agreement, but rather is intended to facilitate the exercise of such rights and remedies.

The Lender shall have, in addition to all other rights and remedies given it by the terms of this Agreement, all rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Trademarks or the Licenses may be located or deemed located. Upon the occurrence of an Event of Default and the election by the Lender to exercise any of its remedies under Section 9-504 or Section 9-505 of the Uniform Commercial Code with respect to the Trademarks and Licenses, Grantor agrees to assign, convey and otherwise transfer title in and to the Trademarks and the

Licenses to the Lender or any transferee of the Lender and to execute and deliver to the Lender or any such transferee all such agreements, documents and instruments as may be necessary, in the Lender's sole discretion, to effect such assignment, conveyance and transfer. All of the Lender's rights and remedies with respect to the Trademarks and the Licenses, whether established hereby, by the Security Agreement, by any other agreements or by law, shall be cumulative and may be exercised separately or concurrently. Notwithstanding anything set forth herein to the contrary, it is hereby expressly agreed that upon the occurrence of an Event of Default, the Lender may exercise any of the rights and remedies provided in this Agreement, the Security Agreement and any of the other Loan Documents. Grantor agrees that any notification of intended disposition of any of the Trademarks and Licenses required by law shall be deemed reasonable and properly given if given at least ten (10) days before such disposition; provided, however, that the Lender may give any shorter notice that is commercially reasonable under the circumstances.

Section 16. Successors and Assigns. This Agreement shall be binding upon Grantor and its successors and assigns, and shall inure to the benefit of the Lender and its nominees, successors and assigns. Grantor's successors and assigns shall include, without limitation, a receiver, trustee or debtor-in-possession of or for Grantor; provided, however, that Grantor shall not voluntarily assign or transfer its rights or obligations hereunder without the Lender's prior written consent.

Section 17. GOVERNING LAW. THE PARTIES HAVE VOLUNTARILY ELECTED THAT THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION 735 ILCS SECTION 105/5-1 ET SEQ., BUT OTHERWISE WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS. ANY DISPUTE BETWEEN THE GRANTOR AND THE LENDER ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH, THIS AGREEMENT, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, 735 ILCS SECTION 105/5-1 ET SEQ., BUT OTHERWISE WITHOUT REGARD TO THE CONFLICTS OF LAWS PROVISIONS) OF THE STATE OF ILLINOIS.

Section 18. CONSENT TO JURISDICTION; SERVICE OF PROCESS; JURY TRIAL.

(A) EXCLUSIVE JURISDICTION. EXCEPT AS PROVIDED IN SUBSECTION (B), EACH OF THE PARTIES HERETO AGREES THAT ALL DISPUTES AMONG THEM ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED EXCLUSIVELY BY STATE OR FEDERAL COURTS LOCATED IN CHICAGO, ILLINOIS, BUT THE PARTIES HERETO ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF CHICAGO, ILLINOIS. EACH OF THE PARTIES HERETO WAIVES IN ALL DISPUTES BROUGHT PURSUANT TO THIS SUBSECTION (A) ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT CONSIDERING THE DISPUTE.

(B) OTHER JURISDICTIONS. THE GRANTOR AGREES THAT THE LENDER SHALL HAVE THE RIGHT TO PROCEED AGAINST THE GRANTOR OR ITS PROPERTY IN A COURT IN ANY LOCATION TO ENABLE SUCH PERSON TO (1) OBTAIN PERSONAL JURISDICTION OVER THE GRANTOR OR (2) REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS OR (3) ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF SUCH PERSON. THE GRANTOR AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY SUCH PERSON TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF SUCH PERSON. THE GRANTOR WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH SUCH PERSON HAS COMMENCED A PROCEEDING DESCRIBED IN THIS SUBSECTION (B).

(C) SERVICE OF PROCESS; VENUE. THE GRANTOR WAIVES PERSONAL SERVICE OF ANY PROCESS UPON IT AND IRREVOCABLY APPOINTS INTERIORS, INC. WHOSE ADDRESS IS 320 WASHINGTON STREET, MOUNT VERNON, NEW YORK 10553 AS THE GRANTOR'S AGENT FOR THE PURPOSE OF ACCEPTING ANY WRITS, SERVICE OF PROCESS OR SUMMONSES IN ANY SUIT, ACTION OR PROCEEDING ISSUED BY ANY COURT. NOTHING HEREIN SHALL IN ANY WAY BE DEEMED TO LIMIT THE ABILITY OF THE LENDER TO SERVE ANY SUCH WRITS, PROCESS OR SUMMONSES IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW. THE GRANTOR IRREVOCABLY WAIVES ANY OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY OBJECTION OF THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH IN ANY JURISDICTION SET FORTH ABOVE.

(D) WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH. EACH OF THE PARTIES HERETO AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(E) WAIVER OF BOND. THE GRANTOR WAIVES THE POSTING OF ANY BOND OTHERWISE REQUIRED OF ANY PARTY HERETO IN CONNECTION WITH ANY JUDICIAL PROCESS OR PROCEEDING TO REALIZE ON THE COLLATERAL, ENFORCE

ANY JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF SUCH PARTY, OR TO ENFORCE BY SPECIFIC PERFORMANCE, TEMPORARY RESTRAINING ORDER, PRELIMINARY OR PERMANENT INJUNCTION, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

(F) ADVICE OF COUNSEL. EACH OF THE PARTIES REPRESENTS TO EACH OTHER PARTY HERETO THAT IT HAS DISCUSSED THIS AGREEMENT AND, SPECIFICALLY, THE PROVISIONS OF THIS SECTION 18, WITH ITS COUNSEL.

Section 19. Notices. All notices or other communications hereunder shall be given in the manner and to the address of the Borrowers, in the case of the Grantor, and to the address of the Lender, in each case, as set forth in the Promissory Note.

Section 20. Section Titles. The section titles herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

Section 21. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

Section 22. Merger. This Agreement represents the final agreement of the Grantor and the Lender with respect to the matters contained herein and may not be contradicted by evidence of prior or contemporaneous agreements, or subsequent oral agreements, between the Grantor and the Lender.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

PETALS, INC.

By: [Signature]
Name: Max Mann
Title: CEO

ATTEST:

By: [Signature]
Title: Notary Public

Accepted and agreed to as of the day and year first above written.

INTERIORS INVESTORS, L.L.C., as Lender

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

PETALS, INC.

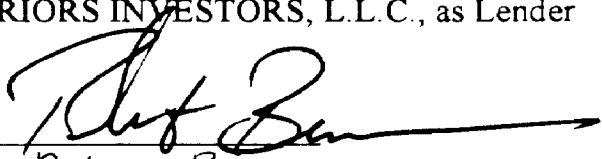
By: _____
Name:
Title:

ATTEST:

By: _____
Title:

Accepted and agreed to as of the day and year first above written.

INTERIORS INVESTORS, L.L.C., as Lender

By: 
Name: Robert Bermun
Title: president

Schedule A

to

Trademark Security Agreement

Dated as of March 19, 2001

Trademarks

None, except:

<u>Trademark</u>	<u>Registration Date</u>	<u>Registration No.</u>
Flora Décor	9/29/98	2,191,909
Petals (logo)	4/17/90	1,592,150
Water Illusions	10/01/96	2,004,870
Petals (UK)	6/15/88	1,347,508
Petals	6/9/85	1,348,408
Petals (logo)	6/9/85	1,348,165
Flora Décor (logo)	4/28/98	2,153,605

Gallery by Petals Serial Number: 75/906031 Notice of Allowance Date: 2/20/01
Petals Gallery Serial Number: 75/906032 Notice of Allowance Date: 2/20/01

Trademark and Service Mark Applications

<u>Trademark</u>	<u>Application No.</u>	<u>Application Date</u>
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Gallery by Petals

Schedule B

to

Trademark Security Agreement

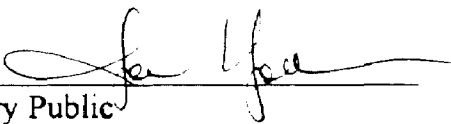
Dated as of March 19, 2001

License Agreements

None

STATE OF NY)
) SS
COUNTY OF Westch.)

The foregoing Trademark Security Agreement was acknowledged before me this
15 day of March, 2001, by Max Mow, a Chm. of
Pitels, Inc., a Delaware corporation, on behalf of such corporation.

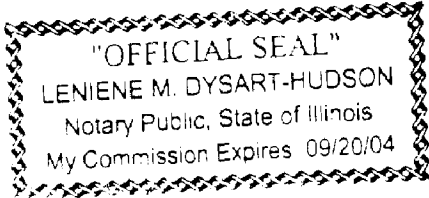


Notary Public
My commission expires: _____

JOAN D. YORK
Notary Public
State of New York
No. 01YO6015663
Qual. in Westchester
Commission Expires Nov. 2, 2002

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

The foregoing Trademark Security Agreement was acknowledged before me this 15 day of March, 2001, by Robert Berman, a president of Interiors Investors, L.L.C., a Delaware limited liability company, on behalf of such limited liability company.



Leniene M. Dysart-Hudson

Notary Public
Cook County, Illinois
My commission expires: 9/20/04