



06-03-2003



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

RE 7

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

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

1. Name of conveying party(ies):

The Tree Factory, Inc.

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

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

3. Nature of conveyance:

- Assignment Merger Security Agreement Change of Name Other

Execution Date: May 15, 2003

2. Name and address of receiving party(ies)

Name: Guaranty Business Credit Corporation

Internal Address:

Address:

Street Address: 400 Northridge Road, Suite 1100

City: Atlanta State: Georgia Zip: 30305

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

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

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

A. Trademark Application No.(s)

None

B. Trademark Registration No.(s)

See attached Exhibit A

2419961

Additional number(s) attached Yes No

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

Name: Ian Hathaway

Internal Address: Parker, Hudson, Rainer & Dobbs, LLP

Street Address: 285 Peachtree Center Avenue 1500 Marquis Two Tower

City: Atlanta State: Georgia Zip: 30303

6. Total number of applications and registrations involved: 5

7. Total fee (37 CFR 3.41) \$ 140.00

- Enclosed Authorized to be charged to deposit account

8. Deposit account number:

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

DO NOT USE THIS SPACE

9. Statement and signature.

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

Ian Hathaway

Name of Person Signing

Signature

May 28, 2003

Date

Total number of pages including cover sheet, attachments, and document: 7

06/02/2003 DBYRNE 0000040 2419961

01 FC:8521 02 FC:8522

40.00 100.00

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

TRADEMARK REEL: 002743 FRAME: 0845

EXHIBIT A

Trademarks

<u>Trademark</u>	<u>Jurisdiction</u>	<u>Registration No.</u>	<u>Serial No.</u>
MY FAVORITE!	United States	2419961	75659421
MASTERWORKS	United States	2398641	75642836
VALUE CRAFT SILKS	United States	1786844	74339693
THE TREE FACTORY	United States	1561618	73777614
SILK PLANT FOREST	United States	1561617	73777613

TRADEMARK SECURITY AGREEMENT

This **TRADEMARK SECURITY AGREEMENT** is made this 15th day of May, 2003, between **GUARANTY BUSINESS CREDIT CORPORATION**, a Delaware corporation and assignee of Capital Business Credit, a division of Capital Factors, Inc., having an office at 400 Northridge Road, Suite 1100, Atlanta, Georgia 30350 ("Lender"), and **THE TREE FACTORY, INC.**, a North Carolina corporation having its principal place of business at 5639 Brookshire Boulevard, Charlotte, North Carolina 28216 (the "Company").

Recitals:

The Company desires that Lender continue to make loans and other financial accommodations available to the Company pursuant to that certain Loan and Security Agreement dated April 6, 1998, as amended, by and between the Company and Lender (hereinafter referred to, together with all amendments thereto, as the "Loan Agreement");

Lender is willing to continue to make loans and other financial accommodations to the Company from time to time, pursuant to the terms of the Loan Agreement, provided the Company executes this Agreement.

NOW, THEREFORE, for Ten Dollars (\$10.00) and other valuable consideration, and in consideration of the premises, the Company hereby agrees with Lender as follows:

1. Capitalized terms used herein (including those used in the Recitals hereto), unless otherwise defined, shall have the meanings ascribed to them in the Loan Agreement.

2. To secure the prompt payment and performance of the Obligations, the Company hereby pledges, assigns and grants to Lender, a continuing security interest in and lien upon all of the following property of the Company, whether now owned or existing or hereafter created or acquired (the "Trademark Collateral"):

(a) all trademarks, trademark registrations, tradenames and trademark applications, including, without limitation, the trademarks and applications listed on Exhibit A attached hereto and made a part hereof (as the same may be amended from time to time), and (i) all renewals thereof, (ii) all income, royalties, damages and payments now or hereafter due or payable with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (iii) the right to sue for past, present and future infringements thereof, and (iv) all rights corresponding thereto throughout the world (all of the foregoing trademarks, trademark registrations, tradenames and applications, together with the items described in clauses (i)-(iv), are hereinafter collectively referred to as the "Trademarks");

(b) the goodwill of the Company's business connected with and symbolized by the Trademarks; and

(c) all proceeds of the foregoing.

3. Until all of the Obligations have been satisfied in full and the Loan Agreement has been terminated, the Company shall not enter into any license agreement relating to any of the Trademarks with any Person except non-exclusive licenses to customers of the Company in the regular and ordinary course of the Company's business as presently conducted and for reasonable and customary compensation, and shall not become a party to any agreement with any Person that is inconsistent with the Company's duties under this Agreement.

4. Upon and at any time after the occurrence of an Event of Default, Lender shall have, in addition to all other rights and remedies given it by this Agreement, all rights and remedies under applicable law and all rights and remedies of a secured party under the Uniform Commercial Code. Without limiting the generality of the foregoing, Lender may immediately, without demand of performance and without notice (except as described in the next sentence, if required by applicable law), or demand whatsoever to the Company, each of which the Company hereby expressly waives, collect directly any payments due the Company in respect of the Trademark Collateral, or sell at public or private sale or otherwise realize upon all or from time to time, any of the Trademark Collateral. The Company hereby agrees that seven (7) days written notice to the Company of any public or private sale or other disposition of any of the Trademark Collateral shall be reasonable notice; provided, however, that no notice shall be required hereunder if not otherwise required by applicable law. At any such sale or disposition, Lender may, to the extent permitted by law, purchase the whole or any part of the Trademark Collateral sold, free from any right of redemption on the part of the Company, which right the Company hereby waives and releases. After deducting from the proceeds of such sale or other disposition of the Trademark Collateral all costs and expenses incurred by Lender in enforcing its rights hereunder (including, without limitation, all attorneys' fees), Lender shall apply the remainder of such proceeds to the payment of the Obligations in such order and manner as may be authorized or required by the Loan Agreement. Any remainder of the proceeds after payment in full of the Obligations shall be paid over to the Company. If any deficiency shall arise, the Company and each guarantor of the Obligations shall remain jointly and severally liable to Lender therefor.

5. The Company hereby makes, constitutes and appoints Lender and any officer or agent of Lender as Lender may select, as the Company's true and lawful attorney-in-fact, with full power to do any or all of the following if an Event of Default shall occur and be continuing: (i) to endorse the Company's name on all applications, documents, papers and instruments necessary for Lender to continue the registration of or to use the Trademarks, or (ii) to grant or issue any exclusive or nonexclusive license under the Trademarks to any other Person, or (iii) to assign, pledge, convey or otherwise transfer title in or dispose of any Trademark Collateral to any other Person. The Company hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney, being coupled with an interest, shall be irrevocable until all of the Obligations shall have been satisfied in full and the Loan Agreement shall have been terminated.

6. Any and all fees, costs and expenses, of whatever kind or nature (including, without limitation, reasonable attorneys' fees and legal expenses) incurred by Lender in connection with the preparation of this Agreement and any other documents relating hereto and the consummation of this transaction, the filing or recording of any documents (including, without limitation, all taxes in connection therewith) with the United States Patent and

Trademark Office or in any other public offices, the payment or discharge of any taxes, counsel fees, maintenance fees, liens or otherwise protecting, maintaining, or preserving the Trademark Collateral, or in defending or prosecuting any actions or proceedings arising out of or related to the Trademark Collateral, shall be borne and paid by the Company (it being the intent of the Company and Lender that the Company shall be responsible for the payment of all sums, fees, costs and expenses, including, without limitation, all renewal fees with respect to the Trademarks) or, if paid by Lender in its sole discretion, shall be reimbursed by the Company **on demand** by Lender and until so paid shall be added to the principal amount of the Obligations and shall bear interest at the highest per annum rate in effect from time to time under the Loan Agreement.

7. If the Company fails to comply with any of its obligations hereunder, to the extent permitted by applicable law, Lender may do so in the Company's name or in Lender's name, in Lender's sole discretion, but at the Company's expense, and the Company agrees to reimburse Lender in full for all expenses, including, without limitation, reasonable attorneys' fees, incurred by Lender in prosecuting, defending or maintaining the Trademarks or Lender's interest therein pursuant to this Agreement.

8. No course of dealing between the Company and Lender, nor any failure to exercise, nor any delay in exercising, on the part of Lender, any right, power or privilege hereunder or under any of the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

9. All of Lender's rights and remedies with respect to the Trademark Collateral, whether established hereby or by any of the other Loan Documents, or by any other agreements or by applicable law shall be cumulative and may be exercised singularly or concurrently.

10. 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 thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

11. This Agreement, together with the other Loan Documents, constitutes and expresses the entire understanding of the parties hereto with respect to the subject matter hereof, and supercedes all prior agreements and understandings, inducements or conditions, whether expressed or implied, oral or written. This Agreement is subject to modification only by a writing signed by the parties, except as provided in paragraph 6 hereof.

12. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the successors and assigns of Lender and upon the successors of the Company. The Company shall not assign its rights or delegate its duties hereunder without the prior written consent of Lender.

13. The Company hereby waives notice of Lender's acceptance hereof.

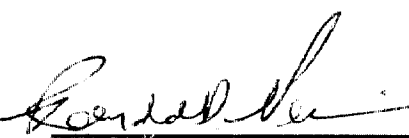
14. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Georgia.

15. To the fullest extent permitted by applicable law, the Company and Lender each waives the right to trial by jury in any action, suit, proceeding or counterclaim of any kind arising out of or related to this Agreement or the Trademark Collateral.

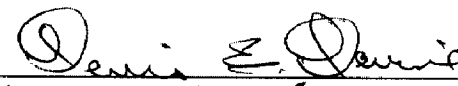
WITNESS the execution hereof under seal as of the day and year first above written.

ATTEST:

THE TREE COMPANY, INC.
("Company")



Secretary

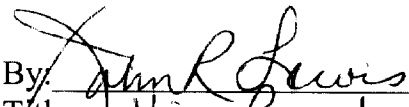
By: 

Title: CEO / CHAIRMAN

[CORPORATE SEAL]

Accepted in Atlanta, Georgia:

**GUARANTY BUSINESS
CREDIT CORPORATION**
("Lender")

By: 

Title: Vice President

STATE OF North Carolina
§
COUNTY OF Mecklenburg

BEFORE ME, the undersigned authority, on this day personally appeared Lewis E. Levine, CEO of The Tree Factory, Inc., to me known to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 22 day of May, 2003.

[Signature]
Notary Public
My Commission Expires: 11/20/06

[NOTARIAL SEAL]

STATE OF Georgia)
COUNTY OF Fulton)

BEFORE ME, the undersigned authority, on this day personally appeared John R. Lewis of Guaranty Business Credit Corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 23 day of May, 2003.

[Signature]
Notary Public
My Commission Expires:
Notary Public, Fulton County, Georgia
My Commission Expires Sept. 22, 2006

[NOTARIAL SEAL]