

01/18/2005
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Form PTO-1594 (Rev. 06/04)
OMB Collection 0651-0027 (exp. 6/30/2005)

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

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

<p>1. Name of conveying party(ies)/Execution Date(s): <u>FlexWare International LLC</u></p> <p><input type="checkbox"/> Individual(s) <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Corporation-State <input checked="" type="checkbox"/> Other <u>Limited Liability Company</u></p> <p>Citizenship (see guidelines) <u>California</u></p> <p>Execution Date(s) <u>Dec. 10, 2004 (by all parties)</u></p> <p>Additional names of conveying parties attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	<p>2. Name and address of receiving party(ies) Additional names, addresses, or citizenship attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Name: <u>Marc A. Seidner</u></p> <p>Internal Address: _____</p> <p>Street Address: <u>234 Conway Avenue</u></p> <p>City: <u>Los Angeles</u></p> <p>State: <u>California</u></p> <p>Country: <u>U.S.A</u> Zip: <u>90024</u></p> <p><input type="checkbox"/> Association Citizenship _____ <input type="checkbox"/> General Partnership Citizenship _____ <input type="checkbox"/> Limited Partnership Citizenship _____ <input type="checkbox"/> Corporation Citizenship _____</p> <p><input checked="" type="checkbox"/> Other <u>Individual</u> Citizenship <u>California, U.S.</u></p> <p>If assignee is not domiciled in the United States, a domestic representative designation is attached: <input type="checkbox"/> Yes <input type="checkbox"/> No (Designations must be a separate document from assignment)</p>
<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>4. Application number(s) or registration number(s) and identification or description of the Trademark.</p> <p>A. Trademark Application No.(s) <u>75/166,977</u></p>	<p>B. Trademark Registration No.(s) <u>2,325,066</u></p> <p>Additional sheet(s) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
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C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):
FLEXWARE

<p>5. Name & address of party to whom correspondence concerning document should be mailed:</p> <p>Name: <u>J. Douglas Shepherd, Esq.</u></p> <p>Internal Address: <u>Bainbridge Law Group, P.C.</u></p> <p>Street Address: <u>4 Civic Plaza Suite 350</u></p> <p>City: <u>Newport Beach,</u> State: <u>CA.</u> Zip: <u>92660</u></p> <p>Phone Number: <u>(949) 721-5560</u> Fax Number: <u>(949) 721-5555</u> Email Address: <u>jds@bbllawgroup.com</u></p>	<p>6. Total number of applications and registrations involved: 1</p> <p>7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 40.00</p> <p><input checked="" type="checkbox"/> Authorized to be charged by credit card <input type="checkbox"/> Authorized to be charged to deposit account <input type="checkbox"/> Enclosed</p> <p>8. Payment Information: <u>John D. Shepherd</u></p> <p>a. Credit Card Last 4 Numbers <u>7252 (VISA)</u> Expiration Date <u>10/2006</u></p> <p>b. Deposit Account Number _____ Authorized User Name _____</p>
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9. Signature: J. Douglas Shepherd 1/26/05 16

Signature Date

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

Documents to be recorded (including cover sheet) should be faxed to (703) 306-5995, or mailed to: Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

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Additional Receiving Parties

2. (Continued from previous page): Additional Receiving Parties

Name: Rita R.R. Seidner
Street Address: 234 Conway Avenue
City: Los Angeles
State: California
Country: U.S.A.
Zip: 90024
Type of Entity: Individual
Citizenship: United States (California)

Name: Leo S. Seidner
Street Address: 12629 Promontory Road
City: Los Angeles
State: California
Country: U.S.A.
Zip: 90049
Type of Entity: Individual
Citizenship: United States (California)

Name: Daniel J. Seidner
Street Address: 234 Conway Avenue
City: Los Angeles
State: California
Country: U.S.A.
Zip: 90024
Type of Entity: Individual
Citizenship: United States (California)

Name: Hanya S. Seidner
Street Address: 234 Conway Avenue
City: Los Angeles
State: California
Country: U.S.A.
Zip: 90024
Type of Entity: Individual
Citizenship: United States (California)

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") is made and entered into effective as of November 15, 2004, by and between Flexware International LLC, a California limited liability company ("Debtor"), in favor of the Collateral Agent (as defined in Section 8 below) on behalf of Marc. A. Seidner and Rita R.R. Seidner (husband and wife), Leo S. Seidner, Daniel J. Seidner and Hanya S. Seidner (each, a "Secured Party" and collectively, the "Secured Parties").

RECITALS

A. Periodically in the past, Marc Seidner and Rita R.R. Seidner have loaned Debtor money and vendor goods and/or services to fund its business operations. The cumulative outstanding balance of these loans equaled Six Hundred Forty-One Thousand Four Hundred Eighty-Nine and 54/100 (\$641,489.54) on November 15, 2004.

B. Periodically in the past, Leo Seidner has loaned Debtor money and vendor goods and/or services to fund its business operations. The cumulative outstanding balance of these loans equaled One Hundred Forty-Nine Thousand Six Hundred Thirty-Two and 63/100 (\$149,632.63) on November 15, 2004.

C. Periodically in the past, Daniel Seidner has loaned Debtor money to fund its business operations. The cumulative outstanding balance of these loans Twenty-Five Thousand One Hundred Six Dollars (\$25,106.00) on November 15, 2004.

D. Periodically in the past, Hanya Seidner has loaned Debtor money to fund its business operations. The cumulative outstanding balance of these loans equaled Nineteen Thousand Six Hundred Sixty-Four and 67/100 Dollars (\$19,664.67) on November 15, 2004 (together with all of the loans described in Recitals A through D above, the "Initial Loans").

E. Debtor desires the Secured Parties to extend the Initial Loans and desires that one or more of the Secured Parties lend additional amounts to Debtor in order to fund its on-going business operations.

F. The Secured Parties are willing to extend the Initial Loans subject to the terms and conditions of those certain secured promissory notes of even date herewith between Debtor and each of the Secured Parties in the original principal amounts as set forth in recitals A through D above (the "Initial Notes").

G. As a condition and material inducement for the Secured Parties to extend the Initial Loans, and in consideration therefor, Debtor has agreed to execute and deliver the Initial Notes, to enter into this Agreement, and to grant to Collateral Agent (for the benefit of the Secured Parties) the security interest in the Collateral described below.

H. Leo Seidner and Mr. and Mrs. Marc and Rita Seidner are willing to (i) separately lend Debtor Six Thousand Five Hundred Dollars (\$6,500) during November 2004 for Debtor's on-going business operations (the "New Loans"), subject to the terms and conditions of those certain secured promissory notes of even date herewith between Debtor and each of Leo Seidner and Mr. and Mrs. Marc and Rita Seidner in the original principal amount of \$6,500 apiece (the "New Notes"); and (ii) separately consider, in their sole discretion, making additional loans to Debtor from time to time as required for Debtor's future business operations, which additional loans, if any, will be governed by the terms of

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the New Notes and this Agreement (any such loans being referred to as "Subsequent Loans").

I. As a condition and material inducement for the Leo Seidner and Marc Seidner to make the New Loans and to consider Subsequent Loans, and in consideration therefor, Debtor has agreed to execute and deliver the New Notes, to enter into this Agreement, and to grant to Collateral Agent (for the benefit of the Secured Parties) the security interest in the Collateral described below.

NOW, THEREFORE, in consideration of the premises and covenants set forth herein, in the Initial Notes, in the New Notes, and for other good and valuable consideration, Debtor, Collateral Agent, and the Secured Parties hereby agree as follows:

SECTION 1. Grant of Security Interest; Collateral.

As security for the obligations described in Section 2 hereof, Debtor hereby grants to Collateral Agent a security interest in all of Debtor's right, title and interest in and to the collateral described on Exhibit A attached hereto (collectively, the "Collateral").

SECTION 2. Obligations Secured.

The security interest hereby granted shall secure all of the following obligations (collectively, the "Obligations"):

2.1 Secured Promissory Notes. The payment in full of all principal and interest under the Initial Notes and the New Notes (collectively, the "Secured Notes"), the payment of all other sums and charges that may at any time be due and payable under the Secured Notes and any other amounts that may be added to the principal respectively thereof, and the performance of all other covenants and obligations of Debtor under the Secured Notes; in each case when such payment or other covenant or obligation is due under the terms of the applicable Secured Notes, whether at maturity, by acceleration or otherwise, and regardless of the extent allowed as a claim in any proceeding in respect of the bankruptcy, reorganization or insolvency of Debtor. The parties contemplate that one or more of Leo Seidner and Marc Seidner may make Subsequent Loans to Debtor after the date of this Agreement, and that the amount of such Subsequent Loans shall immediately and automatically become part of the outstanding principal amount of the respective New Notes and thereby subject to this Agreement.

2.2 Security Agreement. The payment, performance and observance by Debtor of any and all of Debtor's covenants and obligations under this Agreement.

2.3 Expenses. Without limiting the generality of Section 2.2 above, the payment, repayment and/or reimbursement by Debtor of (i) any and all amounts that Collateral Agent or any Secured Party may advance or spend for the maintenance or preservation of the Collateral, and (ii) any and all other expenditures that Collateral Agent or any Secured Party may make under any provision of this Agreement, under applicable law, or for the benefit of Debtor, including, without limitation, reasonable attorneys' fees and costs, and collection expenses as described in Section 6.5 below.

2.4 Other Indebtedness. The payment, performance and observance by Debtor of all other amounts, covenants, obligations and liabilities now or hereafter owed by Debtor to Collateral Agent or any Secured Party (other than those described in Sections 2.1, 2.2 and 2.3 above) (collectively, "Other Indebtedness"), including, without limitation, any other

agreement, instrument or document evidencing or relating to any Other Indebtedness (collectively, "Other Documents").

2.5 Modifications; Renewals. Any and all amounts, covenants, obligations and liabilities owed by Debtor under any modifications, renewals or extensions of any of the Obligations described in this Section 2.

2.6 Post-Petition Obligations. Any of the foregoing Obligations that arise after the filing of a petition by or against Debtor under the Bankruptcy Code, even if the Obligations do not accrue because of the automatic stay under Bankruptcy Code § 362 or otherwise.

SECTION 3. Debtor's Representations and Warranties.

Debtor hereby represents and warrants to Collateral Agent and the Secured Parties as follows:

3.1 Location, State of Organization and Name of Debtor. Debtor is a limited liability company that is organized, validly existing and in good standing under the laws of the State of California, with all requisite powers to carry on the business in which it is engaged and to own the properties that it owns. The address specified in Section 9.1 below is the chief executive office and the place of business of Debtor. The exact legal name of Debtor is as set forth in the first paragraph of this Agreement. Debtor has not used or been known by any other corporate name, fictitious business name or trade name in connection with the conduct of its business.

3.2 Location of Collateral. All of the Collateral consisting of goods (as defined in Division 9 of the California Uniform Commercial Code) is located at Debtor's chief executive office and place of business.

3.3 Ownership of Collateral; No Liens. Debtor is the true and lawful owner of all of the existing Collateral, with full title in and to the Collateral and full power to transfer the Collateral and grant to Collateral Agent (for the benefit of the Secured Parties) the security interest created herein. There are no liens, encumbrances, security interests or adverse claims against any Collateral, or any restrictions on the transfer or pledge of any Collateral, other than those created by this Agreement.

3.4 Consents and Approvals. This Agreement, the Secured Notes and the transactions contemplated hereby and thereby have been approved by Debtor's managers and/or members as required under Debtor's operating agreement. Except for such approvals, no consent, approval, authorization or order of, or registration, qualification, declaration or filing with, any governmental agency or body or any other person is required in connection with the execution or delivery of this Agreement or the Secured Notes by Debtor or the performance by Debtor of its obligations hereunder and thereunder.

3.5 Enforceability; Priority of Security Interest. This Agreement creates a security interest which is enforceable against the Collateral in which Debtor now has rights, and will create a security interest which is enforceable against the Collateral in which Debtor hereafter acquires rights at the time Debtor acquires any such rights. Upon the filing of a proper UCC-1 financing statement with the California Secretary of State, Collateral Agent will have (i) a duly perfected and first priority security interest in all the Collateral in which Debtor now has rights (and as to which a security interest can be perfected by such filing), and (ii) a perfected and first priority security interest in all the Collateral in which Debtor

hereafter acquires rights at the time Debtor acquires any such rights (and as to which a security interest can be perfected by such filing), in each case securing the payment and performance of the Obligations.

3.6 Litigation. There is no action, suit, proceeding, dispute, litigation, claim, complaint or investigation ("Claims") by or before any court, tribunal, arbitrator, governmental body or agency pending or, to Debtor's knowledge, threatened against Debtor, except for one civil complaint that Debtor and the Secured Parties are aware of and believe to be frivolous and immaterial. There is no Claim that affects or would affect Debtor or any of the Collateral or challenges or would challenge any action required to be taken by Debtor under this Agreement. Neither Debtor nor any of the Collateral is subject to any judgment, order or decree of any court, tribunal, arbitrator, governmental body or agency.

3.7 No Violations. Neither the execution or delivery of this Agreement by Debtor, nor Debtor's performance hereof will conflict with, or result in any violation or breach of, or default under, any agreement or other instrument to which Debtor is a party or by which Debtor or any of its assets or properties is bound.

3.8 Continuing Nature of Representations and Warranties. The foregoing representations and warranties contained in Sections 3.1 through 3.7 above shall be deemed to have been repeated and made anew upon each of the following events as they occur from time to time: (i) Debtor acquires any Collateral after the date of this Agreement, and (ii) any one or more of the Secured Parties loans additional money to Debtor after the date of this Agreement.

SECTION 4. Covenants of Debtor.

Debtor agrees to comply with each of covenants set forth in this Section 4 until all of the Obligations have been paid, performed and discharged in full.

4.1 Maintenance of Collateral; Compliance with Laws. Debtor shall take all reasonable actions to preserve and maintain the value of the Collateral and shall not permit the Collateral to be wasted or to deteriorate, except for ordinary wear and tear resulting from its use in the ordinary course of business. Debtor shall comply in all material respects with all laws, statutes, and regulations pertaining to the Collateral and/or Debtor's business.

4.2 Personal Property; No Fixtures. The Collateral shall remain personal property at all times. Debtor shall not affix any of the Collateral to any real property in any manner that would change its nature from that of personal property to real property or to a fixture. If, notwithstanding the foregoing, any Collateral is deemed to be fixtures of real property as a matter of law, such Collateral shall nevertheless continue to be Collateral under this Agreement as such.

4.3 Liens; Claims; Dispositions of Collateral. Debtor shall maintain the Collateral free and clear of any and all liens, charges and encumbrances other than those created by this Agreement in favor of Collateral Agent and the Secured Parties. Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the Collateral or any interest therein. Debtor shall not sell or otherwise transfer or dispose of any Collateral without the prior written consent of Collateral Agent, except for sales of inventory made in the ordinary course of Debtor's business.

4.4 Entity Existence; No Relocation or Name Change. Debtor will preserve its existence and will not, in one transaction or a series of related transactions, merge into

or consolidate with any other entity or sell all or any substantial portion of its assets. Debtor further covenants and agrees that it will not (i) move, relocate or transfer any material portion of the Collateral (except for sales of inventory made in the ordinary course of Debtor's business) from its place of business, (ii) move, relocate or change its principal executive office or place of business, or (iii) change its name or conduct its business under any fictitious business name or trade name without, in any such case, giving Collateral Agent at least thirty (30) days prior written notice of such move, relocation, name change or use of other name.

4.5 Inspection of Collateral; Records. At the request of Collateral Agent, Debtor shall permit Collateral Agent to examine and inspect the Collateral from time to time and wherever located, provided that such inspection shall be made in a manner that does not unreasonably disrupt Debtor's business operations. In addition, Debtor shall promptly upon Collateral Agent's request deliver to Collateral Agent records and schedules that show the status, condition and location of the Collateral, including accounts receivable aging reports. Collateral Agent shall have the right to review and verify such records, schedules and notices, including the right to contact account debtors of Debtor to confirm balances owing on, and the terms of, Debtor's accounts.

4.6 [Intentionally Omitted]

4.7 Fillings; Further Assurances. Debtor shall cooperate with Collateral Agent in making any filings with governmental authorities necessary to perfect the security interest granted by Debtor hereunder. Debtor agrees that from time to time, at the expense of Debtor, Debtor will promptly execute and deliver all further instruments and documents, and take all further action (including giving notices to third parties), that may be necessary or desirable, or that Collateral Agent may reasonably request, in order: (i) to create, preserve, validate, perfect or from time to time continue perfection of the security interest granted herein, including, without limitation, such financing statements, certificates, notices and other instruments and documents as may be necessary to perfect a security interest in any additional Collateral hereafter acquired by Debtor or in any replacements or proceeds thereof; (ii) to protect the Collateral against the rights, claims or interests of third parties; or (iii) to enable Collateral Agent to exercise and enforce any of its rights and remedies with respect to any Collateral or the security interest granted herein. Without limiting the generality of the foregoing, Debtor shall execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Collateral Agent may request, in order to perfect and preserve any pledge, assignment and security interest granted or purported to be granted hereby. Debtor hereby authorizes Collateral Agent to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of Debtor where permitted by law. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

4.8 Reimbursement of Expenses. Debtor shall, upon written notice from Collateral agent, promptly reimburse Collateral Agent and any Secured Party for all costs, expenses and other amounts required to be paid or reimbursed by Debtor under this Agreement or the Secured Notes that have been paid or advanced by Collateral Agent or any Secured Party.

SECTION 5. Defaults.

Any one or more of the following events shall constitute a default by Debtor under this Agreement (each, a "Default"):

5.1 Payment Defaults. Debtor shall fail to pay when due and payable (whether at maturity, by acceleration or otherwise) any principal, interest or other sum due under any of the Secured Notes or any other monetary Obligation secured by this Agreement, in each case after the expiration of any applicable notice and/or cure period(s).

5.2 Other Defaults. Debtor shall breach or fail to observe or perform any term, covenant, agreement or provision contained in this Agreement or any Other Document (other than breaches covered by Section 5.1), and such breach or failure is not cured within ten (10) days after Debtor receives written notice thereof from Collateral Agent.

5.3 Representations and Warranties. Any representation or warranty made by Debtor in this Agreement proves to have been untrue in any material respect as of the date hereof, or with respect to after acquired Collateral or subsequent loans, when deemed made pursuant to Section 3.8 above.

5.4 Secured Notes; Events of Default. The occurrence of any Event of Default as such term is defined in any of the Secured Notes.

5.5 Liens and Attachments. If all or any portion of the Collateral (i) becomes subject to any pledge, assignment, lien, charge or encumbrance (including any of the foregoing that arise or result from any judgment or claim), (ii) is attached, seized, subjected to a writ or distress warrant, or (iii) is levied upon, or comes into the possession of any trustee, receiver, controller, custodian, assignee for the benefit of creditors or any similar person.

5.6 Impairment. If there is a material impairment of the prospect of repayment of all or any portion of the Obligations owing to Secured Party or a material impairment of the value or priority of Collateral Agent's (or any Secured Party's) security interests in any of the Collateral.

SECTION 6. Rights of Collateral Agent.

6.1 Acceleration and Remedies. Upon and after the occurrence of any Default: (i) Collateral Agent may, at the option of the Collateral Agent, declare all or any portion of the Obligations immediately due and payable; and (ii) Collateral Agent shall have and may exercise and be entitled to each and all of the rights and remedies granted or available to a secured party under Division 9 of the California Uniform Commercial Code, together with any other rights and remedies which may be available to Collateral Agent under this Agreement, any of the Secured Notes, any Other Documents or applicable law.

6.2 Possession of Collateral. Upon and after the occurrence of any Default: (i) Collateral Agent shall have the right, without demand and without legal process, to take and maintain possession of all or any part of the Collateral and to enter upon any premises on which the Collateral or any part thereof may be located and remove the same therefrom; and (ii) upon any request by Collateral Agent, Debtor shall assemble the Collateral and make the Collateral available to the Collateral Agent at such reasonable time and place as the Collateral Agent may designate.

6.3 Disposition of Collateral. Upon and after the occurrence of any Default, Collateral Agent shall have the right (whether or not Collateral Agent has taken possession of the Collateral) to sell, lease or otherwise dispose of the Collateral or any part thereof at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Debtor's premises) as is commercially reasonable. In connection with any sale of the Collateral, Collateral Agent shall give Debtor at least ten (10) days' prior written notice, at the last address for notices to Debtor specified in accordance with Section 9.1 hereof, of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. Each such notice shall be deemed to meet all requirements hereunder and under applicable law (including the California Uniform Commercial Code) that reasonable notification be given of the time and place of such sale or other disposition.

6.4 Retention of Collateral. Collateral Agent shall be under no obligation to sell, lease or otherwise dispose of any of the Collateral and is under no obligation to complete a sale, lease or other disposition of any of the Collateral if, in the reasonable business judgment of Collateral Agent, none of the offers received reasonably approximates the fair value of the Collateral. If Collateral Agent elects not to sell, lease or otherwise dispose of the Collateral, Collateral Agent may elect to follow the procedures set forth in the California Uniform Commercial Code for retaining the Collateral or any portion thereof in satisfaction of the Obligations, or an applicable portion of the Obligations, secured by this Agreement, subject to the Debtor's rights under the California Uniform Commercial Code in connection with such procedures.

6.5 Collection Expenses. Collateral Agent shall be entitled to recover from Debtor all costs and expenses incurred by Collateral Agent or any Secured Party in connection with the enforcement or exercise of any of its rights and remedies under this Agreement, the Secured Notes, any Other Documents or applicable law, whether or not suit is commenced by Collateral Agent, including, without limitation (i) all costs and expenses of collection, retaking, holding, preparing for sale, selling or otherwise disposing of any of the Collateral (including attorneys' fees and expenses) and all other charges against the Collateral, and (ii) all attorneys' fees and expenses relating to any legal proceeding (in trial court or on appeal) brought to collect any of the Obligations or to foreclose or otherwise realize upon any of the Collateral.

6.6 Application of Proceeds. Any proceeds realized from the sale, lease or other disposition of Collateral by Collateral Agent shall be applied as follows: (i) first, to reimburse Collateral Agent and the Secured Parties for all amounts they are entitled to recover under Section 6.5 above, (ii) next to the payment of all other Obligations owed by Debtor to Collateral Agent and the Secured Parties, and (iii) last, the excess proceeds, if any, shall be returned, without interest and subject to the rights of third parties, to Debtor. In the event the proceeds of any sale or other disposition of the Collateral hereunder are insufficient to pay all of the Obligations in full, (a) the application of proceeds to Secured Parties shall be made pro rata based on the ratio of the Obligations owed to a particular Secured Party compared to the total Obligations outstanding to all Secured Parties; and (b) Debtor shall be liable for the deficiency (which shall be immediately due and payable), together with interest thereon, and the costs and expenses of collection of such deficiency, including, without limitation, reasonable attorneys' fees and expenses.

6.7 Marshalling. Collateral Agent shall not be required to marshal any assets or security in favor of Debtor, or against or in payment of (i) any of the Secured Notes, (ii) any other Obligations, or (iii) any other obligation owed to Collateral Agent by any other person.

Collateral Agent may proceed to foreclose or otherwise realize upon the Collateral and any other security for the Obligations secured by this Agreement in such order and in such manner as Collateral Agent may determine, in its sole discretion.

6.8 Collection of Accounts. Upon and after the occurrence of any Default, Collateral Agent may notify or may require Debtor to notify account debtors on any or all of Debtor's accounts, whether now existing or hereafter existing, to make payment directly to Collateral Agent, and Collateral Agent may take possession of all proceeds of any accounts in Debtor's possession, and may take any other steps which Collateral Agent deems necessary or advisable to collect any or all such accounts or other Collateral or proceeds thereof. Without limiting the generality of the foregoing, upon and after the occurrence of any Default, Collateral Agent shall have the right to receive, endorse, assign and/or deliver in its name or the name of Debtor any and all checks, drafts and other instruments for the payment of money relating to Debtor's accounts, and Debtor hereby waives notice of presentment, protest and nonpayment of any instrument so endorsed.

6.9 Protection of Collateral. Collateral Agent shall have the right at any time to make any payments and do any other acts Collateral Agent may deem necessary or advisable to protect its security interest in the Collateral, including, without limitation, the right to pay, purchase, contest or compromise any encumbrance, charge or lien that in the judgment of Collateral Agent appears to be prior to or superior to the security interest granted by Debtor hereunder, and appear in and defend any action or proceeding purporting to affect its security interest in and/or the value of the Collateral, and in exercising any such powers or authority, the right to pay all expenses incurred in connection therewith, including attorneys' fees and expenses. Debtor hereby agrees to reimburse Collateral Agent for all payments made and expenses incurred by Collateral Agent in connection with performing any of the foregoing acts, and agrees that it shall be bound by any payment made or act taken by Collateral Agent hereunder. Neither Collateral Agent nor any Secured Party shall have any obligation to make any of the foregoing payments or perform any of the foregoing acts.

6.10 Authority of Collateral Agent. Collateral Agent shall have and be entitled to exercise all powers hereunder that are specifically granted to Collateral Agent by the terms hereof together with such powers as are reasonably incident thereto. Collateral Agent may perform any of its duties hereunder or in connection with the Collateral by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of counsel concerning all such matters. None of Collateral Agent, any Secured Party or any attorney or agent of Collateral Agent or any Secured Party shall be liable to Debtor for any action taken or omitted to be taken by it or them hereunder, except for its or their own gross negligence or willful misconduct, nor shall Collateral Agent or any Secured Party be responsible for the validity, effectiveness or sufficiency hereof or of any document or security furnished pursuant hereto. Collateral Agent, each Secured Party and their respective attorneys and agents shall be entitled to rely on any communication, instrument or document believed by it or them to be genuine and correct and to have been signed or sent by the proper person or persons. Debtor agrees to indemnify and hold harmless Collateral Agent, each Secured Party, and any such other person from and against any and all costs, expenses (including attorneys' fees and expenses), claims, damages or liabilities incurred by Collateral Agent, any Secured Party or such other person hereunder, unless such claim or liability shall be due to willful misconduct or gross negligence on the part of such person.

SECTION 7. Termination.

This Agreement and the security interest in the Collateral created hereby shall terminate only when all of the Obligations have been paid, performed and discharged in full.

SECTION 8. Collateral Agent.

8.1 Appointment. The Secured Parties hereby appoint Marc A. Seidner, as collateral agent for the Secured Parties under this Agreement (in such capacity, the "Collateral Agent") to serve from the date hereof until the termination of the Security Agreement. Secured Parties representing a majority of the aggregate outstanding principal amount of the Secured Notes may, upon notice to Collateral Agent and the Debtor given pursuant to Section 9 hereof, appoint another person or entity to act as Collateral Agent under this Agreement effective as of the date set forth in the notice.

8.2 Powers and Duties of Collateral Agent; Indemnity by Investors.

(a) Each Secured Party hereby irrevocably authorizes the Collateral Agent to take such action as provided herein or as requested in writing by the Secured Parties in accordance with the terms hereof, together with such powers as are reasonably incidental thereto. In the event that the actions requested by the Secured Parties conflict, the Collateral Agent may act in accordance with any such request in the Collateral Agent's sole discretion. Notwithstanding anything to the contrary herein, Collateral Agent must take any such lawful action requested by the holders of a majority of the aggregate outstanding principal amount of the Secured Notes. Collateral Agent may request and act in reliance upon the advice of counsel concerning all matters pertaining to its duties hereunder and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance therewith.

(b) The Collateral Agent shall not be liable or responsible to any Secured Party or to Debtor for any action taken or omitted to be taken by Collateral Agent, except in the case of Collateral Agent's gross negligence or willful misconduct.

(c) In the case of this Agreement and the transactions contemplated hereby and any related document relating to any of the Collateral, each of the Secured Parties agrees to pay to the Collateral Agent, on demand, its pro rata share of all fees and all expenses incurred in connection with the operation and enforcement of this Agreement, the Secured Notes or any Other Indebtedness to the extent that such fees or expenses have not been paid by Debtor. In the case of this Agreement and each instrument and document relating to any of the Collateral, each Secured Party and the Debtor hereby agrees to hold the Collateral Agent harmless, and to indemnify the Collateral Agent from and against any and all loss, damage, expense or liability which may be incurred by the Collateral Agent under this Agreement and the transactions contemplated hereby, unless such liability is caused by Collateral Agent's willful misconduct or gross negligence.

SECTION 9. Miscellaneous Provisions.

9.1 Notices. All notices required or permitted to be given under this Agreement or the California Uniform Commercial Code shall be in writing and shall be deemed to have been duly given (i) upon receipt when delivered personally or by confirmed facsimile, (ii) one (1) business day after it is sent, if sent for next business day delivery by courier or overnight delivery service, or (iii) three (3) business days after being deposited in the regular United States mails, certified or registered, with postage prepaid. In each case,

notice shall be sent to the party's address or facsimile number set forth below, or as subsequently modified by written notice:

If to Debtor: FLEXWARE INTERNATIONAL LLC
1999 Avenue Of The Stars, Suite 250
Los Angeles, CA 90067
Tel.: (310) 203-5401
Fax: (310) 203-5421

If to Collateral Agent:
(or to any Secured Party) Marc A. Seidner
234 Conway Avenue
Los Angeles, CA 90024
Tel.: (310) 475-3839
Fax: (310) 475-0893

9.2 Attorney-in-Fact. Debtor hereby irrevocably appoints and constitutes Collateral Agent or its designees as Debtor's lawful attorney-in-fact with the following powers: (i) upon Debtor's failure or refusal to comply with its undertakings contained in Section 4.7 hereof, to sign the name of Debtor on any of the documents described in such section or on any other similar documents which need to be executed, delivered, recorded and/or filed in order to create, preserve, protect, validate, perfect or continue perfected Collateral Agent's security interest in the Collateral; and (ii) upon and after the occurrence of any Default described in Section 5 hereof, (A) to endorse Debtor's name upon any notes, acceptances, checks, drafts, money orders or other evidences of payment or Collateral that may come into Collateral Agent's possession; (B) to sign Debtor's name on any invoice or bill of lading relating to any of Debtor's accounts, drafts against customers, assignments and verifications of such accounts and notices to customers; (C) to notify the U.S. Postal authorities to change the address for delivery of mail addressed to Debtor to such address as Collateral Agent may designate; (D) to do all acts authorized by Section 6.8 hereof; and (E) to do all other acts and things necessary to carry out this Agreement or to enforce Collateral Agent's rights hereunder. All acts of said attorney or designee are hereby ratified and approved, and said attorney or designee(s) shall not be liable for any acts of omission or commission, nor for any error of judgment or mistake of fact or law. The appointment of Collateral Agent as Debtor's attorney-in-fact, and each and every one of Collateral Agent's rights and powers, being coupled with an interest, are irrevocable until all of the Obligations have been fully paid, performed and discharged.

9.3 Assignment; Binding Effect. This Agreement and the rights and interests of Collateral Agent and the Secured Parties hereunder shall be freely transferable and assignable by them and their respective successors and assigns. This Agreement shall inure to the benefit of Collateral Agent, the Secured Parties, and their respective successors, assigns, heirs, executors and administrators. Debtor shall not assign its obligations under this Agreement without the prior written consent of Collateral Agent (or any subsequent successor or assign of Collateral Agent, if applicable). This Agreement shall be binding upon Debtor and its permitted successors and assigns.

9.4 Attorneys' Fees. If any legal proceeding is commenced for the purpose of interpreting or enforcing any provisions of this Agreement, the prevailing party shall be entitled to recover from the other party all reasonable attorneys' fees and expenses incurred in connection with such proceeding, or in any appeal thereof.

9.5 Debtor Waivers. Debtor hereby waives presentment, demand, notice, protest and, except as otherwise provided herein, all other demands and rights of notice in connection with this Agreement or the enforcement of Collateral Agent's rights or remedies hereunder or in connection with any Obligations or any Collateral. Debtor consents to and waives notice of the granting of renewals, extensions of time for payment or other indulgence to any account debtor in respect of any account receivable, the addition or release of persons primarily or secondarily liable on any account receivable or other Collateral, the acceptance of partial payments on any obligation or on any account receivable or other Collateral and/or the settlement or compromise thereof. Debtor further waives any right it may now or hereafter have to notice (other than any requirement of notice provided herein) or to a judicial hearing prior to the exercise or enforcement of any right or remedy available to Collateral Agent under this Agreement, the Secured Notes, any Other Documents or applicable law. Debtor waives its right, if any, to set aside or invalidate any sale or other disposition of any Collateral duly consummated in accordance with the provisions hereof on the grounds (if such be the case) that the sale was consummated without a prior judicial hearing. Debtor waives the posting of any bond otherwise required of Collateral Agent in connection with any judicial process or proceeding to obtain possession of, replevy, attach or levy upon the Collateral or other security for the Obligations, to enforce any judgment or other court order entered in favor of Collateral Agent, or to enforce by specific performance, temporary restraining order, preliminary or permanent injunction this Agreement, the Secured Notes or any Other Documents. To the fullest extent permitted by law, Debtor hereby waives the right to plead any statute of limitations as a defense to the payment or performance of any of the Obligations secured hereby. Debtor's waivers under this section have been made voluntarily, intelligently and knowingly.

9.6 Other Waivers. No delay on the part of Collateral Agent or any Secured Party in exercising any right, power or remedy hereunder shall operate as a waiver of such right, power or remedy or of any other right, power or remedy hereunder. No waiver of any provision of this Agreement or any Obligation secured by this Agreement shall be deemed, or shall constitute, a waiver of any other provision or Obligation, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

9.7 No Obligation to Pursue Others. Collateral Agent has no obligation to attempt to satisfy any of the Obligations by collecting them from any guarantor(s) or other third party that may be liable for them. Collateral Agent may release, modify or waive any obligations of any such guarantor(s) or other third party and/or any collateral provided by any of them to secure any of the Obligations, all without affecting Collateral Agent's rights against Debtor. Debtor waives any right it may have to require Collateral Agent to pursue any guarantor(s) or other third party that may be liable for the Obligations or any portion thereof.

9.8 Governing Law. This Agreement shall be governed by and shall be construed in accordance with the laws of the State of California, without regard to the conflict of law principles thereof.

9.9 Remedies. Each right, power and remedy available to any party under this Agreement, the Secured Notes, any Other Documents or applicable law, shall be cumulative, and the exercise or forbearance of exercise by any party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such party of any or all of such other rights, powers or remedies.

9.10 Entire Agreement; Amendment. This Agreement, together with the Secured Notes and the Other Documents (if any), constitutes the complete and exclusive statement of the terms of the agreement between Collateral Agent and/or the Secured Parties on the one hand, and Debtor on the other hand, with respect to the subject matter contained herein and therein. This Agreement may be amended or modified only by a written instrument executed by each of the parties hereto.

9.11 Time of the Essence. Time is of the essence under this Agreement and each provision herein.

9.12 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

9.13 Severability of Provisions. Each and every provision of this Agreement is intended to be severable. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provisions in any other jurisdiction.

9.14 Headings. The section headings and captions included in this Agreement are inserted solely for convenience of reference and shall not constitute a part of this Agreement nor affect its meaning, construction or effect.

9.15 Advice of Legal Counsel. EACH PARTY ACKNOWLEDGES AND REPRESENTS THAT, IN EXECUTING THIS AGREEMENT, IT HAS HAD THE OPPORTUNITY TO SEEK ADVICE AS TO ITS LEGAL RIGHTS FROM LEGAL COUNSEL AND THAT EACH PERSON SIGNING ON ITS BEHALF HAS READ AND UNDERSTOOD ALL OF THE TERMS AND PROVISIONS OF THIS AGREEMENT. THIS AGREEMENT SHALL NOT BE CONSTRUED AGAINST ANY PARTY BY REASON OF THE DRAFTING OR PREPARATION HEREOF.

[Signature Page Follows.]

IN WITNESS WHEREOF, Debtor, Collateral Agent and the Secured Parties have duly executed this Agreement as of the date first written above.

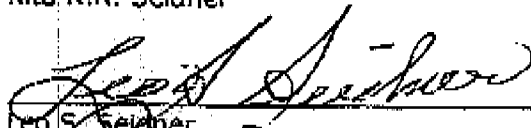
"SECURED PARTIES"



Marc A. Seidner



Rita R.R. Seidner



Leo S. Seidner



Daniel J. Seidner



Hanyu S. Seidner

"COLLATERAL AGENT"



Marc A. Seidner

"DEBTOR"

FLEXWARE INTERNATIONAL LLC



By: Daniel Seidner
V.P. & Assistant Treasurer

EXHIBIT A**Description of Collateral**

For purposes of the attached Security Agreement, the term "Collateral" shall mean all presently existing or hereafter acquired assets and properties of Debtor, both tangible and intangible and wherever located, including, without limitation, the following types of collateral, as defined in Division 9 of the California Uniform Commercial Code (as in effect as of the date hereof):

- (i) Accounts, including without limitation health-care-insurance receivables;
- (ii) Chattel paper;
- (iii) Inventory;
- (iv) Equipment;
- (v) Instruments, including without limitation promissory notes;
- (vi) Investment property;
- (vii) Documents;
- (viii) Deposit accounts;
- (ix) Letter-of-credit rights;
- (x) General intangibles, including without limitation payment intangibles, licenses, and software (including without limitation, source code for any software developed or published by Debtor, and all versions thereof and all modifications thereto), as well as patents, trademarks, trade secrets and all other intellectual property;
- (xi) Goods;
- (xii) Supporting obligations; and
- (xiii) to the extent not listed above as original collateral, all proceeds and products of the foregoing;

together with all of Debtor's books and records relating to any of the Collateral.