

10-23-2006



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OPR/FINANCE

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

10.20.06

**1. Name of conveying party(ies):**  
Pottery Collaborative LLC

Individual(s)       Association  
 General Partnership       Limited Partnership  
 Corporation- State: \_\_\_\_\_  
 Other LLC

Citizenship (see guidelines) \_\_\_\_\_

Additional names of conveying parties attached?  Yes  No

**2. Name and address of receiving party(ies)**  Yes  
Additional names, addresses, or citizenship attached?  No

Name: Massachusetts Capital Resource  
Internal \_\_\_\_\_ Company \_\_\_\_\_  
Address: \_\_\_\_\_

Street Address: 420 Boylston Street  
City: Boston  
State: MA  
Country: USA Zip: 02116

Association      Citizenship \_\_\_\_\_  
 General Partnership      Citizenship \_\_\_\_\_  
 Limited Partnership      Citizenship Massachusetts  
 Corporation      Citizenship \_\_\_\_\_  
 Other \_\_\_\_\_      Citizenship \_\_\_\_\_

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)

**3. Nature of conveyance )/Execution Date(s) :**  
10/18/06 and 10/18/06  
Execution Date(s) \_\_\_\_\_

Assignment       Merger  
 Security Agreement       Change of Name  
 Other \_\_\_\_\_

**4. Application number(s) or registration number(s) and identification or description of the Trademark.**

A. Trademark Application No.(s)  
SN 78721079 and SN 78721075

B. Trademark Registration No.(s)  
\_\_\_\_\_

Additional sheet(s) attached?  Yes  No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):  
\_\_\_\_\_

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

Name: George W. Thibeault, Esq  
Internal Address: \_\_\_\_\_  
Street Address: 125 High Street  
City: Boston  
State: MA Zip: 02110  
Phone Number: 617-248-7520  
Fax Number: 617-314-7458  
Email Address: thibeault@tht.com

**6. Total number of applications and registrations involved:** 2

**7. Total fee (37 CFR 2.6(b)(6) & 3.41)** \$ 65.00

Authorized to be charged by credit card  
 Authorized to be charged to deposit account  
 Enclosed

**8. Payment Information:**

a. Credit Card      Last 4 Numbers \_\_\_\_\_  
Expiration Date \_\_\_\_\_

b. Deposit Account Number \_\_\_\_\_  
Authorized User Name \_\_\_\_\_

**9. Signature:** \_\_\_\_\_      October 18, 2006  
Signature      Date

George W. Thibeault, Esq.  
Name of Person Signing

Total number of pages including cover sheet, attachments, and document: 27

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to:  
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

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## SECURITY AGREEMENT

**SECURITY AGREEMENT**, dated as of October 18, 2006, by and among **Pottery Collaborative, LLC, a Massachusetts limited liability company**, with principal offices located at **60 Newark, Haverhill, Massachusetts 01832** (the "Debtor") and **Massachusetts Capital Resource Company** (the "Lender").

### Recitals

Pottery Collaborative LLC ("Pottery"), Dominican Garden Products, Inc. ("Garden Products") and the Lender are parties to a certain Secured Note Purchase Agreement, dated as of the date hereof (the "Purchase Agreement"). It is a condition precedent to the agreement of the Lender to enter into the Purchase Agreement and to extend credit to the Debtor and such affiliated company thereunder that the Debtor execute and deliver this Security Agreement as security for the payment and performance of all obligations of the Debtor and its affiliated company to the Lender under the Purchase Agreement, including the Notes issued pursuant thereto.

**NOW, THEREFORE**, in consideration of the premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### **ARTICLE 1.**

#### **GRANT OF SECURITY**

**Section 1.1 Grant of Security.** The Debtor hereby grants to the Lender a continuing security interest ("Security Interest") in and to all property and fixtures of the Debtor, whether now or hereafter existing or now or hereafter acquired and wherever located, including all equipment, accounts, inventory and general intangibles, all as more fully described as follows (the "Collateral"), subject to Permitted Liens:

(a) All money, cash, bank accounts, deposit accounts, goods, inventory, equipment, computer hardware and software, instruments, securities, investment property, documents, documents of title, chattel paper, accounts, accounts receivable, lease receivables and leases (excluding those leases that the Debtor is prohibited from assigning in accordance with the terms thereof) including but not limited to, rights to rentals thereunder and the Debtor's reversionary interest in property leased thereunder and any equity rights in leases sold to third parties, contract rights, licenses, general intangibles, copyrights, patents and patents pending, trademarks and goodwill, trade secrets, credits, claims, demands and all other property of the Debtor (including but not limited to leasehold improvements);

(b) All equipment, including without limitation all fixtures, machinery, equipment, molds, dies, motor vehicles, and other goods whether now owned or hereafter acquired by the Debtor, wherever located, all replacements, substitutions and all parts thereof and all accessions thereto, as well as all of the Debtor's right, title and interest in and to any such goods now or hereafter held or used by the Debtor under any lease, lease-purchase, conditional sales, use or other agreements under which the Debtor is entitled to

the use and possession thereof, with any other rights and benefits flowing from such agreements, all as may be used or useful in connection with the Debtor's business as now or hereafter carried on, any operations incidental to or associated with the same, or for any other purpose, (any and all such equipment, machinery and fixtures, parts and accessions being the "Equipment");

(c) All inventory in all of its forms, wherever located, now or hereafter existing including, but not limited to (i) raw materials and work in process therefor, finished goods thereof, and materials used or consumed in the manufacture or production thereof, and (ii) goods which are returned to or repossessed by the Debtor and all accessions thereto and products thereof (any and all such inventory, accessions and products being the "Inventory");

(d) All accounts receivable, including without limitation accounts, contracts, contract rights, chattel paper, instruments, licenses and other obligations of any kind whether now existing or hereafter arising, and all rights now or hereafter existing in and to all security agreements, leases, and other contracts securing or otherwise relating to any such accounts, contract rights, chattel paper, instruments, general intangibles or obligations, and including without limitation all obligations of states, cities, towns and other governmental authorities to pay amounts to the Debtor for services rendered by the Debtor (any and all such accounts, contract rights, chattel paper, instruments, general intangibles and obligations being the "Receivables," and any and all such leases, security agreements and other contracts being the "Contracts");

(e) All general intangibles including without limitation, tradenames, trademarks, servicemarks, tax refunds, the corporate name and all product names; and

(f) All products and proceeds of any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not the Lender are the loss payees thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral.

**Section 1.2 Security for Obligations.** This Agreement and the Security Interest shall secure the payment and performance of the Obligations.

## ARTICLE 2

### GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

The Debtor represents, warrants and covenants, which representations, warranties and covenants shall survive execution and delivery of this Agreement, as follows:

**Section 2.1 Necessary Filings.** Debtor will immediately make all filings, registrations and recordings necessary to create, preserve and perfect the Security Interest granted by the Debtor to the Lender hereby in respect of the Collateral, and the Security Interest granted to the Lender pursuant to this Agreement in and to the Collateral will constitute, upon satisfaction of such filings, registrations and recordings, a perfected security interest therein (to the extent that the same can be perfected by filing, registration or recording) prior to the rights of all other

Persons therein (other than any such rights pursuant to Permitted Liens) and subject to no other Liens (other than Permitted Liens) and is entitled to all the rights, priorities and benefits afforded by the Uniform Commercial Code to perfected security interests.

**Section 2.2 No Liens.** The Debtor is, and as to Collateral acquired by it from time to time after the date hereof the Debtor will be, the owner of all Collateral pledged by it hereunder free from any Lien, security interest, encumbrance or other right, title or interest of any Person (other than Permitted Liens), and the Debtor shall defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein (other than in connection with Permitted Liens) adverse to the Lender or any one of them.

**Section 2.3 Other Financing Statements.** As of the date hereof, there is no financing statement (or similar statement or instrument of registration under the law of any jurisdiction) covering or purporting to cover any interest of any kind in the Collateral (other than financing statements filed in respect of Permitted Liens), and so long as any Obligations are outstanding, the Debtor will not execute or authorize to be filed in any public office any financing statement (or similar statement or instrument of registration under the law of any jurisdiction) or statements relating to the Collateral, except financing statements filed or to be filed in respect of and covering the Security Interests granted hereby by the Debtor or in connection with Permitted Liens.

**Section 2.4 Chief Executive Office; Jurisdiction; Records.** As of the date hereof, the jurisdiction of incorporation and the chief executive office of the Debtor are as indicated on Exhibit A hereto. The Debtor will not change its jurisdiction of incorporation or move its chief executive office unless it has provided the Lender at least thirty (30) days prior written notice of such change. A complete set of books of account and records of the Debtor relating to the Receivables and the Contract Rights are, and will continue to be, kept at its chief executive office.

All Receivables and Contract Rights of the Debtor are, and will continue to be, maintained at, and controlled and directed (including, without limitation, for general accounting purposes) from, the office locations described above or such new location established in accordance with this Section 2.4.

**Section 2.5 Location of Inventory and Equipment.** As of the date hereof, all Inventory and Equipment held by the Debtor is located at one of the locations shown on Exhibit B hereto. The Debtor agrees that all Inventory and Equipment now held or subsequently acquired by it shall be kept at (or shall be in transport to) any one of the locations shown on Exhibit B hereto, or such new location as the Debtor may establish in accordance with the last sentence of this Section 2.5. The Debtor may establish a new location for Inventory and Equipment provided that it has given the Lender not less than 30 days' prior written notice of its intention so to do, clearly describing such new location.

**Section 2.6 Recourse.** This Agreement is made with full recourse to the Debtor and pursuant to and upon all the warranties, representations, covenants and agreements on the part of the Debtor contained herein and in the Purchase Agreement.

**Section 2.7 Trade Names; Change of Name.** Except as set forth on Exhibit F hereto, as of the date hereof, the Debtor does not have or operate in any jurisdiction under, or in the preceding 12 months had or operated in any jurisdiction under, any other trade names, fictitious names or other names except its legal name. The Debtor shall provide the Lender with at least thirty (30) days prior written notice of a change in its legal name, any trade name, fictitious name or other name under which it operates. Any such notice shall clearly describe such new name and the jurisdictions in which such new name shall be used and providing such other information in connection therewith as the Lender may reasonably request. Debtor shall take all action reasonably requested by the Lender, to maintain the security interest of the Lender in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

### ARTICLE 3

#### **SPECIAL PROVISIONS CONCERNING RECEIVABLES; CONTRACT RIGHTS; INSTRUMENTS**

**Section 3.1 Additional Representations and Warranties.** As of the time when each of its Receivables arises, the Debtor shall be deemed to have represented and warranted that such Receivable, and all records, papers and documents relating thereto are what they purport to be in all material respects, and that such Receivable will, to the best knowledge of the Debtor, evidence true and valid obligations of the account debtor named therein.

**Section 3.2 Maintenance of Records.** The Debtor will keep and maintain at its own cost and expense, records of its Receivables and Contracts and the Debtor will make the same available on the Debtor's premises to any Lender for inspection in accordance with the terms of the Purchase Agreement. Upon the occurrence and during the continuance of an Event of Default and at the reasonable request of the Lender, the Debtor shall, at its own cost and expense, deliver all tangible evidence of its Receivables and Contract Rights (including, without limitation, all documents evidencing the Receivables and all Contracts) and such books and records to the Lender or to their representatives (copies of which evidence and books and records may be retained by the Debtor). If the Lender so directs, upon the occurrence and during the continuance of an Event of Default, the Debtor shall legend, in form and manner satisfactory to the Lender, the Receivables and the Contracts, as well as books, records and documents of the Debtor evidencing or pertaining to such Receivables and Contracts with an appropriate reference to the fact that such Receivables and Contracts have been assigned to the Lender and that the Lender has a security interest therein.

**Section 3.3 Direction to Account Debtors; Contracting Parties; etc.** Upon the occurrence and during the continuance of an Event of Default, and if the Lender so direct the Debtor, the Debtor agrees (a) to cause all payments on account of the Receivables and Contracts to be made directly to the Cash Collateral Account, (b) that the Lender may, at their option, directly notify the obligors with respect to any Receivables and/or under any Contracts to make payments with respect thereto as provided in preceding clause (a) and (c) that the Lender may enforce collection of any such Receivables and Contracts and may adjust, settle or compromise the amount of payment thereof, in the same manner and to the same extent as such Debtor. Without notice to or assent by the Debtor, the Lender may apply any or all amounts then in, or thereafter deposited in, the Cash Collateral Account which application shall be effected in the

manner provided in Section 7.4 of this Agreement. The reasonable costs and expenses (including reasonable attorneys' fees) of collection, whether incurred by the Debtor or the Lender, shall be borne by the Debtor. The Lender shall deliver a copy of each notice referred to in the preceding clause (b) to the Debtor; provided, that the failure by the Lender to so notify the Debtor shall not affect the effectiveness of such notice or the other rights of the Lender created by this Section 3.3.

**Section 3.4 Modification of Terms; etc.** The Debtor shall not rescind or cancel any indebtedness evidenced by any Receivable or under any Contract, or modify any term thereof or make any adjustment with respect thereto, or extend or renew the same, or compromise or settle any material dispute, claim, suit or legal proceeding relating thereto, or sell any Receivable or Contract, or interest therein, without the prior written consent of the Lender, except in accordance with the Debtor's reasonable business practices.

**Section 3.5 Collection.** The Debtor shall endeavor in accordance with reasonable business practices to cause to be collected from the account debtor named in each of its Receivables or obligor under any Contract, as and when due (including, without limitation, amounts which are delinquent, such amounts to be collected in accordance with generally accepted lawful collection procedures) any and all amounts owing under or on account of such Receivable or Contract, and apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Receivable or under such Contract. The reasonable costs and expenses (including, without limitation, attorneys' fees) of collection, if incurred by the Debtor or the Lender, shall be borne by the Debtor.

## ARTICLE 4

### SPECIAL PROVISIONS CONCERNING TRADEMARKS

**Section 4.1 Additional Representations and Warranties.** The Debtor represents and warrants that, as of the date hereof, it is the true and lawful owner of all right, title and interest to or otherwise has the right to use the registered Marks listed in Exhibit C hereto for and that, as of the date hereof said listed Marks constitute all the marks and applications for marks registered in the United States Patent and Trademark Office that the Debtor presently owns or uses in connection with its business. The Debtor represents and warrants that it owns, is licensed to use or otherwise has the right to use all material Marks that it uses. The Debtor further warrants that it has no knowledge of any third party claim that any aspect of the Debtor's present or contemplated business operations infringes or will infringe any trademark, service mark or trade name in any respect which could reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities or condition (financial or otherwise) of the Debtor and its Subsidiaries taken as a whole. The Debtor represents and warrants that except as listed on Exhibit C, as of the date hereof it is the beneficial and record owner of all trademark registrations and applications listed in Exhibit C hereto and that said registrations are valid and subsisting, and that the Debtor is not aware of any third-party claim that any of said registrations in respect of any material Mark is invalid or unenforceable.

**Section 4.2 Infringements.** The Debtor agrees, promptly upon learning thereof, to notify the Lender in writing of the name and address of, and to furnish such pertinent

information that may be available with respect to, any party who the Debtor believes is infringing or diluting or otherwise violating in any material respect any of the Debtor's rights in and to any material Mark, or with respect to any party claiming that the Debtor's use of any material Mark violates in any material respect any property right of that party. The Debtor further agrees to prosecute any Person infringing any material Mark in accordance with reasonable business practices.

**Section 4.3 Preservation of Marks.** The Debtor agrees to use its Marks as required in each of the applicable jurisdictions during the time in which this Agreement is in effect, sufficiently to preserve such Marks (and any registrations thereto) as trademarks or service marks under the laws of the United States and any other applicable law; provided, that, prior to any Default, the Debtor shall not be obligated to preserve any Mark in the event the Debtor determines, in its reasonable business judgment, that the preservation of such Mark is no longer desirable in the conduct of its business.

**Section 4.4 Maintenance of Registration.** The Debtor shall, at its own expense, diligently process all documents required by the Trademark Act of 1946, 15 U.S.C. §§ 1051 et seq. to maintain trademark registrations, including but not limited to affidavits of use and applications for renewals of registration in the United States Patent and Trademark Office for all of its registered Marks pursuant to 15 U.S.C. §§ 1058(a), 1059 and 1065, and shall pay all fees and disbursements in connection therewith and shall not abandon any such filing of affidavit of use or any such application of renewal prior to the exhaustion of all administrative and judicial remedies without prior written consent of the Lender; provided, that, prior to any Default, the Debtor shall not be obligated to maintain any Mark in the event that the Debtor determines, in its reasonable business judgment, that the maintenance of such Mark is no longer necessary or desirable in the conduct of its business.

**Section 4.5 Future Registered Marks.** If any Mark registration issues hereafter to the Debtor as a result of any application now or hereafter pending before the United States Patent and Trademark Office, within 60 days of receipt of such certificate, the Debtor shall deliver to the Lender a copy of such certificate, and, upon Lender' request, an assignment for security in such Mark, to the Lender and at the expense of the Debtor, confirming the assignment for security in such Mark to the Lender hereunder, the form of such security to be substantially the same as the form hereof or in such other form as may be reasonably satisfactory to the Lender.

**Section 4.6 Remedies.** If an Event of Default shall occur and be continuing, the Lender may take any or all of the following actions: (a) declare the entire right, title and interest of the Debtor in and to each of the Marks, together with all trademark rights and rights of protection to the same, vested in the Lender for the benefit of the Lender, in which event the rights, title and interest shall immediately vest, in the Lender for the benefit of the Lender, and the Companies shall execute, cause to be acknowledged and notarized and record said absolute assignment with the applicable agency; (b) take and use or sell the Marks and the goodwill of the Debtor's business symbolized by the Marks and the right to carry on the business and use the assets of the Debtor in connection with which the Marks have been used; and (c) direct the Debtor to refrain, in which event the Debtor shall refrain, from using the Marks in any manner whatsoever, directly or indirectly, and, if requested by the Lender, change the Debtor's corporate name to eliminate therefrom any use of any Mark and execute such other and further documents

that the Lender may request to further confirm this and to transfer ownership of the Marks and registrations and any pending trademark application in the United States Patent and Trademark Office to the Lender.

**Section 4.7 Collateral Assignment.** This Agreement is made for collateral security purposes only. This Agreement and Lender' Security Interest in the Marks shall continue in full force and effect as long as any Obligations shall be owed to the Lender (or any one of them). Upon payment in full of the Obligations, this Agreement shall terminate and Lender shall promptly execute and deliver to the Debtor, at the Debtor's expense, all termination statements and other instruments as may be necessary or proper to terminate Lender's security interest in the Marks, subject to any disposition thereof which may have been made by Lender pursuant to this Agreement.

## ARTICLE 5

### SPECIAL PROVISIONS CONCERNING PATENTS, COPYRIGHTS AND TRADE SECRETS

**Section 5.1 Additional Representations and Warranties.** The Debtor represents and warrants that, as of the date hereof, it is the true and lawful owner of all rights in (a) all material Trade Secrets and Proprietary Information necessary to operate the business of the Debtor, (b) the Patents listed in Exhibit D hereto for the Debtor and that said Patents constitute all the patents and applications for patents that the Debtor owns on the date hereof and (c) the Copyrights listed in Exhibit E hereto and that said Copyrights constitute all registrations of copyrights and applications for copyright registrations that such Debtor owns on the date hereof. The Debtor further warrants that it has no knowledge of any third party claim that any aspect of the Debtor's present or contemplated business operations infringes or will infringe any patent or any copyright or the Debtor has misappropriated any Trade Secret or Proprietary Information, in each case in any respect which could reasonably be expected to have a material adverse effect on the business, operations, property, assets, liabilities or condition (financial or otherwise) of the Debtor.

**Section 5.2 Infringements.** The Debtor agrees, promptly upon learning thereof, to furnish the Lender in writing with all pertinent information available to the Debtor with respect to any infringement, contributing infringement or active inducement to infringe in any material respect any material Patent or Copyright or to any claim that the practice of any material Patent or the use of any material Copyright violates in any material respect any property right of a third party, or with respect to any misappropriation of any material Trade Secret Right or any claim that practice of any material Trade Secret Right violates in any material respect any property right of a third party. The Debtor further agrees, to the extent consistent with reasonable business practices, to prosecute any Person infringing any Patent or Copyright or any Person misappropriating any Trade Secret Right.

**Section 5.3 Maintenance of Patents.** At its own expense, the Debtor shall make timely payment of all post-issuance fees required pursuant to 35 U.S.C. § 41 to maintain in force rights under each Patent, absent prior written consent of the Lender; provided, that the Debtor shall not be obligated to maintain any Patent in the event the Debtor determines, in its reasonable



business judgment, that the maintenance of such Patent is no longer necessary or desirable in the conduct of its business.

**Section 5.4 Prosecution of Patent Application.** At its own expense, the Debtor shall diligently prosecute all applications for Patents for the Debtor and shall not abandon any such application prior to exhaustion of all administrative and judicial remedies, absent written consent of the Lender; provided, that the Debtor shall not be obligated to prosecute any application in the event the Debtor determines, in its reasonable business judgment, that the prosecuting of such application is no longer necessary or desirable in the conduct of its business.

**Section 5.5 Other Patents and Copyrights.** Within 60 days of the acquisition or issuance of a Patent, registration of a Copyright, or acquisition of a registered copyright, the Debtor shall deliver to the Lender a copy of said Copyright or certificate or registration of said patents, as the case may be, with, upon Lender's request, an assignment for security as to such Patent or Copyright, as the case may be, to the Lender and at the expense of the Debtor, confirming the assignment for security, the form of such assignment for security to be substantially the same as the form hereof or in such other form as may be reasonably satisfactory to the Lender.

**Section 5.6 Remedies.** If an Event of Default shall occur and be continuing, the Lender may take any or all of the following actions: (a) declare the entire right, title, and interest of the Debtor in each of the Patents and Copyrights vested in the Lender for the benefit of the Lender, in which event such right, title, and interest shall immediately vest in the Lender for the benefit of the Lender, in which case the Companies shall execute, cause to be acknowledged and notarized and to record said absolute assignment with the applicable agency; (b) take and practice or sell the Patents and Copyrights; and (c) direct the Debtor to refrain, in which event the Debtor shall refrain, from practicing the Patents and using the Copyrights directly or indirectly, and the Debtor shall execute such other and further documents as the Lender may request further to confirm this and to transfer ownership of the Patents and Copyrights to the Lender for the benefit of the Lender.

**Section 5.7 Collateral Assignment.** This Agreement is made for collateral security purposes only. This Agreement and Lender's Security Interest in the Patents and Copyrights shall continue in full force and effect as long as any Obligations shall be owed to the Lender (or any one of them). Upon payment in full of the Obligations, this Agreement shall terminate and Lender shall promptly execute and deliver to the Debtor, at the Debtor's expense, all termination statements and other instruments as may be necessary or proper to terminate Lender's security interest in the Patents and Copyrights, subject to any disposition thereof which may have been made by Lender pursuant to this Agreement.

## ARTICLE 6

### PROVISIONS CONCERNING ALL COLLATERAL

**Section 6.1 Protection of Lender's Security.** The Debtor will at all times keep its Inventory and Equipment insured, at the Debtor's own expense to the extent and in the manner provided in the Purchase Agreement. If the Debtor shall fail to insure its Inventory and

Equipment in accordance with the preceding sentence, the Lender shall have the right (but shall be under no obligation), upon prior written notice to the Debtor, to procure such insurance and the Debtor agrees to promptly reimburse the Lender for all reasonable costs and expenses of procuring such insurance. The Lender shall, at the time any proceeds of such insurance are distributed to the Lender, apply such proceeds in accordance with Section 7.4 hereof. The Debtor assumes all liability and responsibility in connection with the Collateral acquired by it and the liability of the Debtor to pay the Obligations shall in no way be affected or diminished by reason of the fact that such Collateral may be lost, destroyed, stolen, damaged or for any reason whatsoever unavailable to the Debtor.

**Section 6.2 Further Actions.** The Debtor will, at its own expense, make, execute, endorse, acknowledge, file and/or deliver to the Lender from time to time such lists, descriptions and designations of its Collateral, warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the Collateral and other property or rights covered by the security interest hereby granted, which the Lender deems reasonably appropriate or advisable to perfect, preserve or protect its security interest in the Collateral.

**Section 6.3 Financing Statements.** The Debtor agrees to execute and deliver to the Lender such financing statements, in form reasonably acceptable to the Lender, as the Lender may from time to time reasonably request or as are necessary or desirable in the reasonable opinion of the Lender to establish and maintain a valid, enforceable, first priority perfected security interest in the Collateral as provided herein (subject to Permitted Liens) and the other rights and security contemplated hereby all in accordance with the UCC as enacted in any and all relevant jurisdictions or any other relevant law. The Debtor will pay any applicable filing fees, recordation taxes and related expenses relating to its Collateral. The Debtor hereby authorizes the Lender to file any such financing statements without the signature of the Debtor where permitted by law.

## ARTICLE 7

### REMEDIES UPON OCCURRENCE OF EVENT OF DEFAULT

**Section 7.1 Remedies; Obtaining the Collateral Upon Default.** The Debtor agrees that, if an Event of Default shall have occurred and be continuing, then and in every such case, the Lender, in addition to any rights now or hereafter existing under applicable law, shall have all rights as a secured creditor under the UCC in all relevant jurisdictions and may:

(a) personally, or by agents or attorneys, immediately take possession of the Collateral or any part thereof, from the Debtor or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon the Debtor's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of the Debtor;

(b) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, the Receivables and the Contracts) constituting the Collateral to make any payment required by the terms of such agreement, instrument or other obligation directly to the Lender;

(c) withdraw all monies, securities and instruments in the Cash Collateral Account and/or in any other cash collateral account for application to the Obligations in accordance with Section 7.4 hereof;

(d) sell, assign or otherwise liquidate any or all of the Collateral or any part thereof in accordance with Section 7.2 hereof, or direct the Debtor to sell, assign or otherwise liquidate any or all of the Collateral or any part thereof, and, in each case, take possession of the proceeds of any such sale or liquidation;

(e) take possession of the Collateral or any part thereof, by directing the Debtor in writing to deliver the same to the Lender at any place or places reasonably designated by the Lender, in which event the Debtor shall at its own expense:

(i) forthwith cause the same to be moved to the place or places so designated by the Lender and there delivered to the Lender;

(ii) store and keep any Collateral so delivered to the Lender at such place or places pending further action by the Lender as provided in Section 7.2 hereof; and

(iii) while the Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain them in good condition; and

(f) license or sublicense, whether on an exclusive or nonexclusive basis, any Marks, Patents or Copyrights included in the Collateral for such term and on such conditions and in such manner as the Lender shall in their reasonable judgment determine;

it being understood that the Debtor's obligation so to deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Lender shall be entitled to a decree requiring specific performance by the Debtor of said obligation.

**Section 7.2 Remedies: Disposition of the Collateral.** Any Collateral possessed by the Lender under or pursuant to Section 7.1 hereof and any other Collateral whether or not so possessed by the Lender, may be sold, assigned, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the Lender may, in compliance with any mandatory requirements of applicable law, determine to be commercially reasonable. Any of the Collateral may be sold, leased or otherwise disposed of, in the condition in which the same existed when taken by the Lender or after any overhaul or repair at the expense of the Debtor which the Lender shall

determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than 10 days' written notice to the Debtor specifying the time at which such disposition is to be made and the intended sale price or other consideration therefor, and shall be subject, for the 10 days after the giving of such notice, to the right of the Debtor or any nominee of the Debtor to acquire the Collateral involved at a price or for such other consideration at least equal to the intended sale price or other consideration so specified, but in no event in an amount greater than the Obligations then outstanding and provision for any contingent Obligations reasonably acceptable to the Lender. Any such disposition which shall be a public sale permitted by such requirements shall be made upon not less than 10 days' written notice to the Debtor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at the Lender's option, be subject to reserve), after publication of notice of such auction not less than 10 days prior thereto in two daily newspapers in general circulation in Portland, Massachusetts. To the extent permitted by any such requirement of law, the Lender may bid for and become the purchaser of the Collateral or any item thereof, offered for sale in accordance with this Section without accountability to the Debtor. If, under mandatory requirements of applicable law, the Lender shall be required to make disposition of the Collateral within a period of time which does not permit the giving of notice to the Debtor as hereinabove specified, the Lender need give the Debtor only such notice of disposition as shall be reasonably practicable in view of such mandatory requirements of applicable law.

**Section 7.3 Waiver of Claims.** Except as otherwise provided in this Agreement, (a) THE DEBTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE AND JUDICIAL HEARING IN CONNECTION WITH THE LENDER'S TAKING POSSESSION OR THE AGENT'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH SUCH DEBTOR WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, (b) the Debtor hereby further waives, to the extent permitted by law:

- (i) all damages occasioned by such taking of possession except any damages which are determined by a final, non-appealable court order to have been caused by the Lender's gross negligence or willful misconduct; and
- (ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Lender's rights hereunder; and
- (c) all rights of redemption, appraisalment, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and the Debtor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the

Debtor therein and thereto, and shall be a perpetual bar both at law and in equity against the Debtor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under the Debtor.

**Section 7.4 Application of Proceeds.**

(a) All moneys collected by the Lender upon any sale or other disposition of the Collateral, together with all other moneys received by the Lender hereunder, shall be applied to the payment of the Obligations.

(b) It is understood and agreed that the Debtor shall remain liable to the extent of any deficiency between the amount of the proceeds of the Collateral hereunder and the aggregate amount of the Obligations.

(c) After payment in full of the amounts specified in the preceding subparagraphs, to the payment to or upon the order of the Debtor, or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

**Section 7.5 Remedies Cumulative.** Each and every right, power and remedy hereby specifically given to the Lender shall be in addition to every other right, power and remedy specifically given under this Agreement, or now or hereafter existing at law, in equity or by statute and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Lender. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Lender in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any Default or Event of Default or an acquiescence therein. No notice to or demand on the Debtor in any case shall entitle it to any other or further notice or demand in similar or other circumstances or constitute a waiver of any of the rights of the Lender to any other or further action in any circumstances without notice or demand. In the event that the Lender shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Lender may recover reasonable expenses, including reasonable attorneys' fees, and the amounts thereof shall be included in such judgment.

**Section 7.6 Discontinuance of Proceedings.** In case the Lender shall have instituted any proceeding to enforce any right, power or remedy under this Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Lender, then and in every such case the Debtor, the Lender and each holder of any of the Obligations shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Agreement, and all rights, remedies and powers of the Lender shall continue as if no such proceeding had been instituted.

**Section 7.7**

a) **Grant of Power of Attorney.**

(i) **Lender as Attorney-in-Fact.** The Debtor hereby irrevocably appoints the Lender (and any of its attorneys, officers, employees, or agents) as its true and lawful attorney-in-fact, said appointment being coupled with an interest, with full power of substitution, in the name of Debtor, such Lender, or otherwise, for the sole use and benefit of such Lender in its sole discretion, but at Debtor's expense, to exercise, to the extent permitted by law, in its name or in the name of Debtor or otherwise, the powers set forth herein, following the occurrence of an Event of Default (except as to clause (C) below, which power may be exercised at any time), such powers, including, but not limited to, the power at any time: (A) to endorse the name of Debtor upon any instruments of payment, invoice, right, or express bill, bill of lading, storage, or warehouse receipt relating to the Collateral; (B) intentionally omitted; (C) to sign and file one or more financing statements naming Debtor as debtor and Lender as secured party and indicating therein the types or describing the times of Collateral herein specified; (D) to correspond and negotiate directly with insurance carriers; and (E) to execute any notice, statement, instrument, agreement, or other paper that Lender may require to create, preserve, perfect, or validate any security interest granted pursuant hereto or to enable Lender to exercise or enforce their right hereunder, under any the Purchase Agreement, the Notes issued, hereunder, or with respect to such security interest. Notwithstanding the foregoing, Lender shall not exercise any of the foregoing powers of attorney unless Lender first provides Debtor at least twenty-four (24) hours advance written notice concerning the exercise of its power of attorney pursuant to this Section 7.7.

(ii) **Liability of Lender as Attorney-in-Fact.** Neither the Lender nor any of its attorneys, officer, employees, or agents shall be liable for acts, omissions, any error in judgment, or mistake in fact in its/their capacity as attorney-in-fact, except as a result of gross negligence or willful misconduct. This power, being coupled with an interest in irrevocable until the Liabilities have been fully satisfied. Lender shall not be required to take any steps necessary to preserve any rights against prior parties with respect to any of the Collateral.

## ARTICLE 8

### DEFINITIONS

In addition to terms defined elsewhere herein, the following terms shall have the meanings herein specified. Such definitions shall be equally applicable to the singular and plural forms of the terms defined. Any capitalized term not otherwise defined herein shall have the meaning set forth in the Purchase Agreement.

“Agreement” shall mean this Security Agreement as the same may be modified, supplemented or amended from time to time in accordance with its terms.

“Cash Collateral Account” shall mean a non-interest bearing cash collateral account maintained with a bank or trust company designated by the Lender, and in the sole dominion and control of, the Lender for the benefit of the Lender.

“Chattel Paper” shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Massachusetts.

“Contract Rights” shall mean all rights of the Debtor (including, without limitation, all rights to payment) under each Contract.

“Copyrights” shall mean any United States copyright owned (or subject to the rights of ownership) by the Debtor, including any registrations of any copyright, in the United States Copyright Office, as well as any application for a copyright registration now or hereafter made with the United States Copyright Office by the Debtor.

“Default” shall mean any event which, with giving of notice or the passage of time, or both, would constitute an Event of Default.

“Documents” shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Massachusetts.

“Event of Default” shall mean any Event of Default under the Purchase Agreement.

“General Intangibles” shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Massachusetts.

“Goods” shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Massachusetts.

“Instrument” shall have the meaning provided in the Uniform Commercial Code as in effect on the date hereof in the Commonwealth of Massachusetts.

“Liens” shall mean any security interest, mortgage, pledge, lien, claim, charge, encumbrance, title retention agreement, lessor’s interest in a financing lease or analogous instrument, in, of, or on the Debtor’s property.

“Marks” shall mean any United States trademarks, service marks and trade names now owned, subject to a right of ownership or hereafter acquired by the Debtor, including any registration of, or application for, any trademarks and service marks in the United States Patent and Trademark Office, and any trade dress including logos and/or designs used by the Debtor in the United States.

“Obligations” shall mean (a) the full and prompt payment when due (whether at the stated maturity, by acceleration or otherwise) of all obligations and liabilities of the Debtor now existing or hereafter incurred under, arising out of or in connection with the Purchase Agreement or the Notes issued thereunder and the due performance and compliance by the Debtor with the terms of the Purchase Agreement and the Notes issued thereunder; (b) any and all sums advanced by the Lender in accordance with the terms of this Agreement in order to preserve the Collateral or preserve its security interest in the Collateral; and (c) in the event of any proceeding for the collection or enforcement of any obligations or liabilities referred to in clause (a), after an Event of Default shall have occurred and be continuing, the reasonable expenses of re-taking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the Lender of their rights hereunder, together with reasonable attorneys’ fees and court costs.

“Patents” shall mean any United States patent owned, subject to a right of ownership by or hereafter acquired by the Debtor and any divisions, continuations, reissues, reexaminations, extensions or renewals thereof, as well as any application for a United States patent now or hereafter made by the Debtor or subject to a right of ownership in such Debtor.

“Person” shall mean any individual, corporation, partnership, joint venture, trust, or unincorporated organization, or a government or any agency or political subdivision thereof.

“Permitted Liens” shall mean Liens set forth on Exhibit G hereto.

“Proceeds” shall have the meaning provided in the Uniform Commercial Code as in effect in the Commonwealth of Massachusetts on the date hereof or under other relevant law and, in any event, shall include, but not be limited to, (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to the Lender or the Debtor from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to the Debtor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any person acting under color of governmental authority) and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

“Proprietary Information” means all information and know-how worldwide, including, without limitation, technical data, manufacturing data, research and development data, manufacturing data, research and development data, data relating to compositions, processes and formulations, manufacturing and production know-how and experience, management know-how, training programs, manufacturing, engineering and other drawings, specifications, performance criteria, operating instructions, maintenance manuals, technology, technical information, software, engineering and computer data and databases, design and engineering specifications, catalogs, promotional literature and financial, business and marketing plans, inventions and invention disclosures.

“Trade Secrets” means any secretly held existing engineering and other data, information, production procedures and other know-how relating to the design, manufacture, assembly, installation, use, operation, marketing, sale and servicing of any products or business of the Debtor worldwide whether written or not written.

## ARTICLE 9

### MISCELLANEOUS

**Section 9.1** Notices. Except as otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made when delivered to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement, addressed as follows:

- (a) if to the Debtor:

\_\_\_\_\_



c/o Pottery Collaborative LLC  
60 Newark Street  
Haverhill, MA 01832  
Attention: President

With a copy to:

Rich May, a Professional Corporation  
176 Federal Street, 6<sup>th</sup> Floor  
Boston, MA 02110  
Attention: Emmett E. Lyne, Esq.

(b) if to the Lender:

Massachusetts Capital Resource Company  
420 Boylston Street  
Boston, MA 02116

or at such other address as shall have been furnished in writing by any Person described above to the party required to give notice hereunder.

**Section 9.2 Waiver; Amendment.** None of the terms and conditions of this Agreement may be changed, waived, modified or varied in any manner whatsoever unless in writing duly signed by the Debtor and the Lender.

**Section 9.3 Obligations Absolute.** The obligations of the Debtor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of the Debtor except as required by applicable law; (b) any exercise or non-exercise of any right, remedy, power or privilege under or in respect of this Agreement; or (c) any amendment to or modification of the Purchase Agreement or the Notes issued thereunder or any security for any of the Obligations, other than amendments or modifications of this Agreement, whether or not the Debtor shall have notice or knowledge of any of the foregoing.

**Section 9.4 Successors and Assigns.** This Agreement shall be binding upon the Debtor and its successors and assigns and shall inure to the benefit of the Lender and their respective successors and assigns. All agreements, statements, representations and warranties made by the Debtor herein or in any certificate or other instrument delivered by the Debtor or on its behalf under this Agreement shall be considered to have been relied upon by the Lender and shall survive the execution and delivery of this Agreement and the Purchase Agreement regardless of any investigation made by the Lender or on their behalf.

**Section 9.5 Headings Descriptive.** The headings of the several sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

**Section 9.6 Governing Law.** THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS, WITHOUT REGARD TO THE CONFLICTS LAWS PROVISIONS OF SUCH COMMONWEALTH.

**Section 9.7 Venue; Service of Process.** Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any of the parties in the United States District Court for the District of Massachusetts or any of the state courts in the Commonwealth of Massachusetts, and each of the parties consents to the jurisdiction of such court (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world.

**Section 9.8 Debtor's Duties.** It is expressly agreed, anything herein contained to the contrary notwithstanding, that the Debtor shall remain liable to perform all of the obligations, if any, assumed by it with respect to the Collateral and the Lender shall not have any obligations or liabilities with respect to any Collateral by reason of or arising out of this Agreement, nor shall the Lender be required or obligated in any manner to perform or fulfill any of the obligations of the Debtor under or with respect to any Collateral.

**Section 9.9 Counterparts.** This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Debtor and the Lender.

**BALANCE OF PAGE INTENTIONALLY LEFT BLANK**

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

**POTTERY COLLABORATIVE LLC**

By: \_\_\_\_\_  
Daniele LaPosta, President and Chief Executive Officer

**DOMINICAN GARDEN PRODUCTS, INC.**

By: \_\_\_\_\_  
Daniele LaPosta, President and Chief Executive Officer

**MASSACHUSETTS CAPITAL RESOURCE  
COMPANY**

By: \_\_\_\_\_  
Richard W. Anderson,  
Senior Vice President

**Signature Page to Security Agreement**

**Locations of Chief Executive Office and Jurisdiction of Operation**

**Chief Executive Office**

Pottery – 60 Newark Street, Haverhill, MA 01832

Garden Products – Zona Franca, San Pedro de Macoris, Dominican Republic

**Jurisdiction of Organization**

Pottery – Massachusetts

Garden Products - Panama

**Location of Inventory and Equipment**

**Location of Inventory and Equipment**

As of the date of the Agreement to which this Exhibit is attached,  
Pottery and Garden Products had the following location of Inventory and  
Equipment:

**INVENTORY**

Pottery Corporate headquarters & Manufacturing Plant:	60 Newark Street Haverhill, Massachusetts
Pottery Leased warehouse	21 Glenn Street Lawrence, Massachusetts
Garden Products Manufacturing Plant	Zona Franca San Pedro de Macoris Dominican Republic
Pottery Public warehouses (Fall 2006):	Jacksonville, Florida Houston, Texas Oakland, California

**EQUIPMENT**

Pottery & Garden Products *:	60 Newark Street Haverhill, Massachusetts*
Pottery Leased warehouse	21 Glenn Street Lawrence, Massachusetts
Garden Products Manufacturing Plant	Zona Franca San Pedro de Macoris Dominican Republic

\* Note: Garden Products owns equipment that is leased to Pottery and located at 60 Newark Street, Haverhill, Massachusetts.

**List of Trademarks**

Pottery has 2 trademarks applications with the US Patent & Trademark office:

1. Pottery Collaborative - SN 78721079
2. PCI & Design - SN 78721075

**List of Patents**

None.



**List of Copyrights**

None.

**Trade Names, Change of Name**

Pottery Collaborative LLC sometimes uses only the name “Pottery Collaborative”

Dominican Garden Products, Inc. sometimes uses only the name “Dominican Garden Products”

**Permitted Liens**

Pottery – Boston Private Bank and Trust Company, plus Liens permitted pursuant to Section 4.02(a)(i) through (vii), (ix) and (x) of the Purchase Agreement

Garden Products - Liens permitted pursuant to Section 4.02(a)(i) through (vii), (ix) and (x) of the Purchase Agreement

3183451

# GEORGE W. THIBEAULT, ESQ.

DIRECT DIAL (617) 248-7520

125 HIGH STREET  
BOSTON, MASSACHUSETTS 02110

DIRECT FAX (617) 314-7458  
E-MAIL: THIBEAULT@THT.COM

October 18, 2006

Mail Stop  
Assignment Recordation Services  
Director of the USPTO  
P.O. Box 1450  
Alexandria, VA 22313-1450

Re: Pottery Collaborative LLC  
Trademark Application Nos. SN 78721079 and SN 78721075

Dear Sir or Madam:

Enclosed please find a Cover Sheet and Security Agreement relating to the above-referenced company, together with the filing fee in the amount of \$65.00.

Please acknowledge the receipt of these documents by date-stamping the enclosed copy of the Cover Sheet and returning it in the enclosed self-addressed, stamped envelope.

Very truly yours

  
George W. Thibault

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