UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **March 9, 2023 (March 3, 2023)**

STARCO BRANDS, INC.
(Exact name of Company as specified in its charter)

Nevada	**000-54892**	**27-1781753**
(State or other jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

250 26th Street, Suite 200
Santa Monica, CA 90402
(Address of principal executive offices)

323-266-7111
(Registrant's Telephone Number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common stock	STCB	OTC Markets Group OTCQB tier

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Item 1.01 Entry into a Material Definitive Agreement

On March 3, 2023, a majority of the board of Starco Brands, Inc. (the "Company") approved, and the Company entered into a financing transaction with Ross Sklar, its Chief Executive Officer ("Sklar"), consisting of a secured promissory note (the "Promissory Note"), warrants (the "Warrants") to purchase Class A common stock of the Company (the "Class A Common Stock"), and a security agreement (the "Security Agreement") to secure the obligations under the Promissory Note (the foregoing agreements and transactions contemplated thereby, collectively, the "Financing"). The entry into the Financing was approved by the disinterested directors of the Company and was entered into to provide the Company with short-term liquidity to fund a non-ordinary course business transactions and liquidity of a wholly-owned subsidiary.

Promissory Note

The Promissory Note was issued to Sklar on March 3, 2023, in the principal sum of $800,000, and provides for the funding of $800,000 by Sklar to the Company (the "Loaned Funds"). The Promissory Note carries a floating interest rate comprised of the Wall Street Journal Prime Rate (re-assessed on the first day of each month) plus 4% (for a current floating interest rate of 11.75%) (the "Interest Rate"). The Promissory Note matures on July 1, 2023 (the "Maturity Date"), and has a default interest rate equal to the then current Interest Rate plus 5%. The Company, at its option, may prepay the Promissory Note, in whole or in part, without prepayment penalty of any kind. In connection with the Promissory Note, the Company entered into the Security Agreement to secure the Promissory Note obligations, and issued Warrants as a funding fee to obtain the Loaned Funds.

The foregoing summary of the terms of the Promissory Note does not purport to be complete and is qualified in its entirety by reference to the Promissory Note, a copy of which is filed as Exhibit 10.1 to this Report and is incorporated herein by reference.

Security Agreement

In connection with the Promissory Note, the Company entered into the Security Agreement, by and between the Company and Sklar to provide security interests to Sklar to secure the obligations underlying the Promissory Note. A security interest in the Collateral (as defined in the Security Agreement) has been granted to Sklar to secure the

repayment of all principal, interest, costs, expenses and other amounts now or hereafter due under the Promissory Note by the Maturity Date. Sklar is authorized to file financing statements to perfect the security interest in the Collateral without authentication by the Company.

The foregoing summary of the terms of the Security Agreement does not purport to be complete and is qualified in its entirety by reference to the Security Agreement, a copy of which is filed as Exhibit 10.2 to this Report and is incorporated herein by reference.

Warrant

In connection with the Promissory Note, on March 3, 2023, the Company and Sklar entered into an agreement for Warrants. Pursuant to the Warrants, the Company issued warrants to purchase 114,286 shares of Class A Common Stock at an exercise price of $0.01 per share. The number of shares of Class A Common Stock for which the Warrants are exercisable and the exercise price may be adjusted upon any event involving subdivisions, combinations, distributions, recapitalizations and like transactions. Pursuant to the Warrant, the Warrant and the right to purchase securities upon the exercise of the Warrant will terminate on March 2, 2028. The Warrants are fully vested as of the date of grant and may be exercised through cash or cashless exercise.

The foregoing summary of the terms of the Warrant does not purport to be complete and is qualified in its entirety by reference to the Warrant, a copy of which is filed as Exhibit 10.3 to this Report and is incorporated herein by reference.

Capitalized terms used in this Item 1.01 but not otherwise defined shall have the meaning given to such terms in the Promissory Note, Security Agreement or Warrant, as applicable.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The disclosures set forth in Item 1.01 with respect to the*Promissory Note* and *Security Agreement* are hereby incorporated into this Item 2.03 by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

The following exhibits are filed with this Current Report on Form 8-K:

Exhibit Number	Description
10.1	Secured Promissory Note issued in favor of Ross Sklar, dated March 3, 2023.
10.2	Security Agreement, by and between Starco Brands, Inc. and Ross Sklar, dated March 3, 2023.
10.3	Warrant to Purchase Class A Common Stock, issued to Ross Sklar, dated March 3, 2023.
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

STARCO BRANDS, INC.

Dated: March 9, 2023

/s/ Ross Sklar
Ross Sklar
Chief Executive Officer

Exhibit 10.1

SECURED PROMISSORY NOTE

$800,000.00 March 3, 2023

FOR VALUE RECEIVED, Starco Brands, Inc., a Nevada corporation ("Borrower"), and Ross Sklar, an individual "Lender"), enter into this Secured Promissory Note (this "Note"). Borrower promises to pay to Lender, at Lender's current address of 250 26th Street, Suite 200, Santa Monica, California 90402, or at such other addresses as Lender may from time to time designate in writing to Borrower, the principal sum of EIGHT HUNDRED THOUSAND AND 00/100 DOLLARS ($800,000.00) (the "Loan Amount"), together with interest thereon and all other sums due and/or payable under any Loan Document (the "Loan"); such principal and other sums to be calculated and payable as provided in this Note.

The Borrower and the Lender have executed a Security Agreement (as amended or restated from time to time, the "Security Agreement") of even date herewith. The Borrower and the Lender have entered into a Warrant Agreement to purchase Class A common stock (the " Warrant") of even date herewith, pursuant to which Lender has the right to purchase up to 114,286 shares of Class A common stock at an exercise price of $0.01. This Note, the Security Agreement and Warrant, collectively, the " Loan Documents."

Borrower agrees to pay the Loan Amount of this Note together with interest thereon and all other sums due in accordance with the following terms and conditions:

1. Interpretation. For purposes of this Note (a) the words "include," "includes," and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto," and "hereunder" refer to this Note as a whole. The definitions given for any defined terms in this Note shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine, and neuter forms. Unless the context otherwise requires, references herein to: (x) Schedules, Exhibits, and Sections mean the Schedules, Exhibits, and Sections of this Note; (y) an agreement, instrument, or other document means such agreement, instrument, or other document as amended, supplemented, and modified from time to time to the extent permitted by the provisions thereof; and (z) a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Note shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

2. Interest. The entire outstanding Loan Amount of this Note shall accrue at an interest rate equal to the Wall Street Journal Prime Rate (the "Prime Rate") (which currently stands at 7.75%) plus four percent (4%) (for a current interest rate of eleven and three-quarter percent (11.75%), subject to adjustment) per annum, compounded monthly (the "Interest Rate"), from the date hereof until this Note shall have been repaid in full;provided, however, that, if any Event of Default shall occur, the then outstanding principal amount of this Note shall thereafter bear interest at a rate equal to the Interest Rate plus five percent (5%) (for a current default rate of sixteen and three-quarter percent (16.75%), subject to adjustment) per annum, compounded daily (the "Default Rate"), until all such principal and accrued interest due on this Note is repaid in full. The Prime Rate will be reset on the 1st day of each month during the term of this Note.

3. Payments; Maturity Date.

a. Payment. Except as otherwise provided in this Note, principal and all accrued and unpaid interest, if any, shall be paid on or before the Maturity Date. Borrower shall have the absolute and unilateral right, at any time from the date of this Note through the Maturity Date, to satisfy all, or any part of the entire indebtedness evidenced by this Note by payment of the entire principal balance, or any portion thereof, and all accrued and unpaid interest without pre-payment penalty. Any partial repayment shall be credited first towards any accrued and unpaid interest, if any, with any remaining amounts credited towards the outstanding principal balance. Upon prepayment of the entire principal balance, the Note will be satisfied and paid in full and of no further force and effect.

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b. Maturity Date. The aggregate unpaid Loan Amount, all accrued and unpaid interest, and all other amounts payable under this Note shall be due and payable on July 1, 2023 (the "Maturity Date"). For purposes of making payments hereunder, if the payment date shall fall on a Saturday, Sunday, or day on which federal banks are closed, then the payment date shall be the ensuing business day

4. Event of Default.

a. Upon the occurrence of an Event of Default, the Loan Amount shall (a) become due and payable, and (b) bear interest at the Default Rate. Borrower will also pay to Lender, after an Event of Default occurs, all reasonable costs of collecting, securing, or attempting to collect or secure this Note, including, without limitation, court costs and reasonable attorneys' fees (including reasonable attorneys' fees on any appeal by either Borrower or Lender and in any bankruptcy proceedings).

b. Notice of Default and Cure Period. If Borrower fails to comply with any of its obligations, representations, and/or covenants under this Note or any other provision of this Note, Lender shall provide written notice of breach to Borrower (the "Breach Notice") consistent with the notice requirements set forth in this section. Borrower shall then have five (5) business days from the date of receipt of the Breach Notice to cure the breach (the "Grace Period") or provide written proof that no breach existed, the sufficiency of which shall be in Lender's reasonable discretion. If Borrower fails to cure any such breach within the Grace Period or fails to provide proof that no claimed breach existed, then Lender shall have all rights to proceed with its remedies as specified below.

c. Acceleration; Events of Default. It is hereby expressly agreed that the entire unpaid principal balance of the Loan Amount, together with all interest and other sums of any nature whatsoever which may or shall become due to the Lender in accordance with the provisions of this Note, shall, upon proper notice to Borrower as specified in the preceding subsection, and failure of Borrower to cure within the Grace Period, become immediately due and payable without necessity for further presentment and demand for payment, further notice of protest, demand and dishonor or nonpayment of this Note, all of which are hereby expressly waived by the Borrower after the expiration of the Grace Period, upon any default by the Borrower in making any payment when due hereunder or any other default hereunder or upon the occurrence of any of the following events, circumstances or conditions (each an "**Event of Default**"):

i. Any Interest and/or portion of the Loan Amount is not paid when due;

ii. Borrower shall make an assignment for the benefit of creditors, or shall generally not be paying its debts as they become due;

iii. a receiver, liquidator or trustee shall be appointed for Borrower; or Borrower shall be adjudicated bankrupt or insolvent; or any petition for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar federal or state law, shall be filed by or against, consented to, or acquiesced in by, Borrower; or any proceeding for the dissolution or liquidation of Borrower shall be instituted; provided, however, if such appointment, adjudication, petition or proceeding was involuntary and not consented to by Borrower, only upon the same not being discharged, stayed or dismissed within thirty (30) days;

iv. a default occurs under any term, covenant or provision set forth herein which specifically contains a notice requirement and such notice has been given;

v. a default occurs under any term, covenant or provision of any Loan Document; and/or

vi. a default shall be continuing under any of the other terms, covenants or conditions of this Note for ten (10) days after notice to Borrower from Lender, in the case of any default which can be cured by the payment of a sum of money, or for ten (10) days after notice from Lender in the case of any other default; provided, however, that if such non-monetary default is susceptible of cure but cannot reasonably be cured within ten (10)-day period, and Borrower shall have commenced to cure such default within such ten (10)-day period and thereafter diligently and expeditiously proceeds to cure the same, such ten (10)-day period shall be extended for an additional period of time as is reasonably necessary for Borrower in the exercise of due diligence to cure such default.

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5. Method and Place of Payments; Borrower Obligations Absolute.

a. Except as otherwise specifically provided herein, all payments under this Note shall be made to Lender not later than four (4) p.m., Pacific Standard Time, on the date when due, and shall be made in lawful money of the United States of America by wire transfer of immediately available funds to the Lender's account at a bank specified by the Lender in writing to the Borrower from time to time, and any funds received by Lender after such time, for all purposes hereof, shall be deemed to have been paid on the next succeeding business day.

b. All sums payable by Borrower shall be paid without notice, demand, counterclaim (other than mandatory counterclaims), setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction.

6. Waivers. With respect to the amounts due pursuant to this Note, Borrower waives the following: (a) all rights of exemption of property from levy or sale under execution or other process for the collection of debts under the Constitution or laws of the United States or any State thereof; and (b) any further receipt by Lender or acknowledgment by Lender of any collateral now or hereafter deposited as security for the Loan. In addition, Borrower agrees and acknowledges that no release of any security for the Loan or Loan Amount, or extension of time for payment of this Note or any installment hereof, and no alteration, amendment or waiver of any provision of this Note, shall release, modify, amend, waive, extend, change, discharge, terminate or affect the liability of Borrower, any guarantor, or any other person who may become liable for the payment of all or any part of the Loan or Loan Amount, under this Note, unless in writing and signed by Borrower and Lender. No notice to or demand on Borrower shall be deemed to be a waiver of the obligation of Borrower or of the right of Lender to take further action as provided for in this Note.

7. Interest Rate Limitation. This Note is subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the Loan Amount at a rate which could subject Lender to either civil or criminal liability as a result of being in excess of the maximum rate of interest designated by applicable laws relating to payment of interest and usury (the "Maximum Amount"). If, by the terms of this Note, Borrower is at any time required or obligated to pay interest on the Loan Amount at a rate in excess of the Maximum Amount, the Interest Rate shall be deemed to be immediately reduced to the Maximum Amount and all previous payments in excess of the Maximum Amount shall be deemed to have been payments in reduction of principal and not on account of the interest due hereunder.

8. Modifications; Remedies Cumulative; Setoffs. Lender shall not by any act, delay, omission or otherwise be deemed to have modified, amended, waived, extended, discharged or terminated any of its rights or remedies, and no modification, amendment, waiver, extension, discharge or termination of any kind shall be valid unless in writing and signed by Lender and Borrower. All rights and remedies of Lender under the terms of this Note and applicable statutes or rules of law shall be cumulative, and may be exercised successively or concurrently. The agreements contained herein shall remain in full force and be applicable notwithstanding any changes in the shareholders comprising, or the officers and directors relating to, the corporation, and the term "Borrower" as used herein, shall include any alternative or successor corporation, but any predecessor corporation shall not be relieved of liability hereunder. Nothing in the foregoing sentence shall be construed as a consent to, or a waiver of, any prohibition or restriction on transfers of interests in such corporation.

9. Severability. Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under any applicable laws, but if any provision of this Note shall be prohibited by or invalid under any applicable laws, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

10. Governing Law; Submission to Jurisdiction. **This Note shall be governed by and construed and enforced in accordance with the laws (without giving effect to the conflict of law principles thereof) of the State of California. Any legal action or proceeding with respect to this Note shall exclusively be brought in the in the appropriate county, state or federal courts located exclusively in Los Angeles County, California, and, by execution and delivery hereof, the Borrower hereby accepts, generally and unconditionally, the jurisdiction of the aforesaid courts.** The Borrower and its heirs, successors, executors, administrators, and assigns, collectively and each of them individually, shall be jointly and severally responsible and liable for the performance of each and every term, covenant and condition on the part of the Borrower to be performed under this Note.

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11. Waiver of Jury Trial. BORROWER AND LENDER TO THE FULLEST EXTENT THAT THEY MAY LAWFULLY DO SO, WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING, INCLUDING, WITHOUT LIMITATION, ANY TORT ACTION, BROUGHT BY ANY PARTY HERETO WITH RESPECT TO THIS NOTE. EACH OF BORROWER AND LENDER AGREES THAT THE OTHER MAY FILE A COPY OF THIS WAIVER WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED AGREEMENT OF THE OTHER IRREVOCABLY TO WAIVE ITS RIGHT TO TRIAL BY JURY, AND THAT, TO THE FULLEST EXTENT THAT IT MAY LAWFULLY DO SO, ANY DISPUTE OR CONTROVERSY WHATSOEVER BETWEEN BORROWER AND LENDER SHALL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

12. Representations and Warranties. Borrower hereby represents and warrants to Lender on the date hereof as follows:

a. Existence; Power and Authority; Compliance with Laws. Borrower is a corporation duly organized, validly existing, and in good standing under the laws of the state of its jurisdiction of Nevada. Borrower is capable of entering into the Note, and has the requisite power and authority to execute and deliver this Note, and to perform its obligations hereunder.

b. Authorization; Execution and Delivery. The execution and delivery of this Note by Borrower and the performance of its obligations hereunder and thereunder have been duly authorized by all necessary corporation action in accordance with all applicable laws. Borrower has duly executed and delivered this Note.

c. No Approvals. No consent or authorization of, filing with, notice to, or other act by, or in respect of, any governmental authority or any other person is required in order for Borrower to execute, deliver, or perform any of its obligations under this Note.

d. No Violations. The execution and delivery of this Note and the consummation by Borrower of the transactions contemplated hereby and thereby do not and will not (a) violate any law applicable to the Borrower or by which any of its properties or assets may be bound; or (b) constitute a default under any material agreement or contract by which the Borrower may be bound.

e. Enforceability. This Note is a valid, legal, and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

f. No Litigation. No action, suit, litigation, investigation, or proceeding of, or before, any arbitrator or governmental authority is pending or threatened by or against Borrower or any of its property or assets (a) with respect to the Note or any of the transactions contemplated hereby or (b) that could be expected to materially adversely affect Borrower's financial condition or the ability of Borrower to perform its obligations under the Note.

13. Notice. Except as expressly provided herein, any notice to be given hereunder shall be in writing and shall be either delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid or sent by common courier (e.g., Federal Express), addressed: (a) if to the Borrower, to Borrower's address set forth below; or (b) if to the Lender, at the Lender's address set forth in the introduction, or as to any party, at such other address as shall be designated by such party by notice to the other party given in the manner set forth in this Section 13. Each such notice shall be effective: (i) if delivered personally, at the time of delivery to the address specified in this paragraph; or (ii) if given by mail or if sent by courier, on the day actually received.

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a. If to Borrower:
Starco Brands, Inc.
250 26th Street, Suite 200
Santa Monica, California 90402

With a copy to:

Buchalter, APC
1000 Wilshire Blvd, Ste. 1500
Los Angeles, California 90017
Attn: Peter Hogan, Esq.

14. Further Assurances. Upon the request of Lender, Borrower shall promptly execute and deliver such further instruments and do or cause to be done such further acts as may be necessary or advisable to carry out the intent and purposes of this Note.

"Borrower"

STARCO BRANDS, INC.

By: */s/ Darin Brown*
Name: Darin Brown
Title: Director

Accepted on and as of the date of this Note:

/s/ Ross Sklar
Ross Sklar

Exhibit 10.2

SECURITY AGREEMENT

THIS AGREEMENT is made as of March 3, 2023, by Starco Brands, Inc. (the "Borrower"), a Nevada corporation, whose address is 250 26th Street, Suite 200, Santa Monica, CA 90402, and Ross Sklar, an individual (the "Lender").

Recitals

The Borrower and the Lender have executed a Secured Promissory Note (as amended, extended or renewed from time to time, the "Note") of even date herewith in the original principal amount of $800,000.00 in favor of the Lender. The Borrower and the Lender have entered into a Warrant Agreement to purchase Class A common stock (the "Warrant") of even date herewith, pursuant to which Lender has the right to purchase up to 114,286 shares of Class A common stock at an exercise price of $0.01 (this Agreement, the Note and the Warrant, collectively the "Loan Documents").

The Borrower has agreed to secure certain obligations in accordance with the terms hereof.

Now therefore, for good and valuable consideration, the parties agree as follows:

1. Defined Terms. Capitalized terms not otherwise defined that are defined in the UCC shall have the meaning set forth therein. In addition to any other terms defined elsewhere in this Agreement, the following terms shall have the following meanings:

"Accounts" shall mean all accounts as that term is defined in the UCC and all rights of the Borrower now existing and hereafter acquired to payment for goods sold or leased or for services rendered that are not evidenced by an Instrument or Chattel Paper, whether or not earned by performance, together with (i) all security interests or other security held by or granted to the Borrower to secure such rights to payment, (ii) all other rights related thereto (including rights of stoppage in transit) and (iii) all rights in any of such sold or leased goods that are returned or repossessed.

"Chattel Paper" shall mean all chattel paper as that term is defined in the UCC and any document or documents that evidence both a monetary obligation and a security interest in, or a lease or consignment of, specific goods (except, however, that when a transaction is evidenced both by a security agreement or a lease and by an Instrument or series of Instruments, the group of documents taken together constitute Chattel Paper).

"Collateral" shall mean all tangible and intangible personal property and Fixtures, wherever located, in which the Borrower now has or hereafter acquires any right, title or interest. The Collateral includes, without limitation, all of the following assets (whether now owned or existing or hereafter acquired or arising): (a) all of the Borrower's Accounts, Chattel Paper, Contract Rights, Deposit Accounts, Documents, Equipment, Fixtures, General Intangibles, Receivables, Instruments, Inventory and Stock Rights; (b) all of the Borrower's cash, bank accounts, special collateral accounts, uncertificated securities (as that term is defined in the UCC) and insurance policies; (c) all of the Borrower's books and records (in whatever form or medium), customer lists, credit files, computer files, programs, printouts, source codes, software and other computer materials and records related to any of the foregoing; (d) all monies and property of the Borrower in the possession or under the control of the Lender or any agent or affiliate thereof; and (e) all Proceeds (including, without limitation, all proceeds as that term is defined in the UCC), insurance proceeds, unearned premiums, tax refunds, rents, profits and products thereof. The Collateral shall exclude, however, any Intellectual Property, but shall not exclude any royalty income received from the licensing or transfer of such intellectual property, except as specifically set forth herein.

"Contract Rights" shall mean any right to payment under a contract not yet earned by performance and not evidenced by an Instrument or Chattel Paper.

"Deposit Accounts" shall mean all deposit accounts and all moneys, securities, instruments and other assets therein from time to time.

"Documents" shall mean all documents as that term is defined in the UCC and all documents of title and goods evidenced thereby (including, without limitation, all bills of lading, dock warrants, dock receipts, warehouse receipts and orders for the delivery of goods), together with any other document that in the regular course of business or financing is treated as adequately evidencing that the person or entity in possession of it is entitled to receive, hold and dispose of such document and the goods it covers.

"Equipment" shall mean all equipment as that term is defined in the UCC and all equipment (including, without limitation, all machinery, vehicles, tractors, trailers, office equipment, communications systems, computers, furniture, tools, molds and goods) owned, used or bought for use in the Borrower's business whether now owned, used or bought for use or hereafter acquired, used or bought for use and wherever located, together with all accessories, accessions, attachments, parts and appurtenances thereto.

"Fixtures" shall mean all fixtures as that term is defined in the UCC and all goods that are or are to be attached to real property in such a manner that their removal would cause damage to the real property and that have therefore taken on the character of real property.

"General Intangibles" shall mean all general intangibles as that term is defined in the UCC and all payment intangibles and all intangible personal property of every kind and nature other than Accounts (including, without limitation, all Contract Rights, other rights to receive payments of money, choses in action, security interests, indemnification claims, judgments, tax refunds and tax refund claims, royalty and product rights, inventions, work in progress, patents, patent applications, trademarks, trademark applications, trade names, copyrights, copyright applications, permits, licenses, franchises, leasehold interests in real or personal property, rights to receive rentals of real or personal property or payments under letters of credit, insurance proceeds, know-how, trade secrets, other items of intellectual property and Intellectual Property, goodwill (whether or not associated with any of the foregoing), computer software and guarantee claims).

"Instruments" shall mean all negotiable instruments (as that term is defined in the UCC), certificated securities (as that term is defined in the UCC) and any replacements therefor and Stock Rights related thereto, and other writings that evidence rights to the payment of money (whether absolute or contingent) and that are not themselves security agreements or leases and are of a type that in the ordinary course of business are transferred by delivery with any necessary endorsement or assignment (including, without limitation, all checks, drafts, notes, bonds, debentures, government securities, certificates of deposit, letters of credit, preferred and common stocks, options and warrants).

"Intellectual Property" means all (i) patents, patent applications, patent disclosures and inventions, (ii) trademarks, service marks, trade dress, trade names, logos and corporate names and registrations and applications for registration thereof, together with the goodwill of the business connected with the use of, and symbolized by, the foregoing of this term, (iii) copyrights and registrations and applications for registration thereof, (iv) mask works and registrations and applications for registration thereof, (v) computer software, data, data bases and documentation, (vi) trade secrets and other confidential information (including, without limitation, ideas, formulas, compositions, inventions (whether patentable or unpatentable and whether or not reduced to practice), know-how, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, plans, proposals, technical data, copyrightable works, financial and marketing

plans and customer and supplier lists and information), (vii) other intellectual property rights; (viii) copies and tangible embodiments thereof (in whatever form or medium); and (ix) any licenses relating to the foregoing.

"Inventory" shall mean all inventory as that term is defined in the UCC and all goods (as that term is defined in the UCC) other than Equipment and Fixtures (including, without limitation, goods in transit, goods held for sale or lease or furnished or to be furnished under contracts for service, raw materials, work in process and materials used or consumed in the Borrower's business, finished goods, returned or repossessed goods and goods released to the Borrower or to third parties under trust receipts or similar Documents).

"Permitted Lien" means (i) any lien for Taxes, governmental charges or levies not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, (ii) any imperfections of title, easements, rights of way or similar liens, zoning laws or land use restrictions as normally exist with respect to property similar in character to the property affected thereby and which individually or in the aggregate with other such liens, zoning laws or land use restrictions do not materially impair the value or marketability of the property subject to such liens, zoning laws or land use restrictions or interfere with the use of such property in the conduct of the business of the Company and which do not secure obligations for money borrowed, (iii) liens imposed by any law, such as mechanic's, materialman's, landlord's, warehouseman's and carrier's liens, securing obligations incurred in the ordinary course of business which are not yet overdue or which are being diligently contested in good faith by appropriate proceedings and, with respect to such obligations which are being contested, for which the Company has set aside adequate reserves, if appropriate, and (iv) any lien resulting from purchase by the Company of goods in the ordinary course of business as to which liens are not filed of record.

"Proceeds" shall mean all proceeds (as that term is defined in the UCC) and any and all amounts or items of property received when any Collateral or proceeds thereof are sold, exchanged, collected or otherwise disposed of, both cash and non-cash, including proceeds of insurance, indemnity, warranty or guarantee paid or payable on or in connection with any Collateral.

"Receivables" shall mean all Accounts, Chattel Paper, payment intangibles and Contract Rights and all Instruments representing rights to receive payments.

"Stock Rights" shall mean any stock or security, any dividend or other distribution and any other right or property that the Borrower shall receive or shall become entitled to receive for any reason whatsoever with respect to, in substitution for or in exchange for any and all shares of stock and other Instruments and uncertificated securities, any right to receive or acquire any Instrument or uncertificated security and any right to receive earnings, in which the Borrower now has or hereafter acquires any right.

"UCC" shall mean the Uniform Commercial Code as in effect in any applicable jurisdiction.

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2. Security Interest. The Borrower hereby gives the Lender a continuing and unconditional security interest (the "Security Interest") in the Collateral.

3. Obligations Secured. The Security Interest secures payment when due of all Secured Obligations (as defined herein) to the Lender. As used in this Agreement, the term "Secured Obligations" means: (a) all principal, interest, costs, expenses and other amounts now or hereafter due under the Note (including, without limitation, all principal amounts advanced thereunder before, on or after the date hereof); and (b) all other amounts now or hereafter payable by the Borrower under any of the Loan Documents.

4. Warranties of Borrower. The Borrower warrants and so long as this Agreement continues in force shall be deemed continuously to warrant that:

(a) The Borrower is the owner of the Collateral free of all security interests or other encumbrances, except for the Security Interest and except for Permitted Liens. The Intellectual Property is valid and enforceable and, to the Borrower's knowledge, does not infringe, misappropriate or misuse the rights of third parties.

(b) The Borrower is authorized to enter into the Security Agreement.

(c) The Collateral is used or bought for use primarily in business or professional operations.

(d) The Collateral is or will be located at the Borrower's address set forth above.

(e) The chief executive office of the Borrower is at the address set forth above.

(f) The exact legal name of the Borrower is set forth in the introductory paragraph hereof, and the jurisdiction of organization or incorporation of the Borrower is set forth in the introductory paragraph hereof.

5. Covenants of Borrower. So long as this Agreement has not been terminated as provided hereafter, the Borrower: (a) will defend the Collateral against the claims of all other persons; (b) will keep the Collateral free from all security interests or other encumbrances, except for the Security Interest and except for Permitted Liens; (c) will not assign, deliver, sell, transfer, lease or otherwise dispose of any of the Collateral or any interest therein without the prior written consent of the Lender, except that prior to an Event of Default, the Borrower may sell or lease Inventory in the ordinary course of the Borrower's business and dispose of worn out or obsolete Equipment in the ordinary course of the Borrower's business; (d) will keep in accordance with generally accepted accounting principles consistently applied, accurate and complete records concerning the Collateral and upon the Lender's request will mark any of such records and all or any other Collateral to give notice of the Security Interest and will permit the Lender or its agents to inspect the Collateral and to audit and make abstracts of such records or any of the Borrower's books, ledgers, reports, correspondence and other records; (e) upon demand, will deliver to the Lender any Documents and any Chattel Paper representing or relating to the Collateral or any part thereof, schedules, invoices, shipping or delivery receipts, purchase orders, contracts or other documents representing or relating to purchases or other acquisitions or sales or leases or other dispositions of the Collateral and Proceeds thereof and any and all other schedules, documents and statements that the Lender may from time to time request; (f) will keep the Collateral at the Borrower's address set forth above until the Lender is notified in writing of any change in its location, and will not change the location of the Borrower's chief executive office without the written consent of the Lender; (g) will notify the Lender promptly in writing of any change in the Borrower's address, name or identity from that specified above or of any change in the location of the Collateral; (h) will not change its legal name or reincorporate or reorganize itself under the laws of any other jurisdiction; (i) will permit the Lender or its agents to inspect the Collateral; (j) will keep the Collateral in good condition and repair and will not use the Collateral in violation of any provisions of this Agreement, any applicable statute, regulation or ordinance or any policy of insurance insuring the Collateral; (k) will execute and deliver to the Lender such financing statements, landlord waivers and other documents requested by the Lender, and take such other action and provide such further assurances as the Lender may deem advisable to evidence, perfect or enforce the Security Interest created by this Agreement; (l) will pay all taxes, assessments and other charges of every nature that may be levied or assessed against the Collateral (unless the same are being contested in good faith); (m) will insure the Collateral against risks by obtaining policies (none of which shall be cancellable without at least 30 days prior written notice to the Lender) in coverage, form and amount and with companies reasonably satisfactory to the Lender, containing a loss payee provision in favor of the Lender, and at the Lender's request will deliver each policy or certificate of insurance therefor to the Lender; and (n) will prevent any part of the Collateral from becoming an accession to other goods not covered by this Agreement.

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6. Verification. The Lender may verify any Collateral in any manner and through any medium that the Lender may deem appropriate, and the Borrower shall furnish such assistance as the Lender may require in connection therewith.

7. Default.

(a) Each of the following shall constitute an "Event of Default" hereunder: (i) failure by the Borrower to perform any material obligations under this Agreement, the Note or any other agreement between the Borrower and the Lender or by the Borrower in favor of the Lender, time being of the essence; (ii) the commencement of any bankruptcy or insolvency proceedings by or against the Borrower; (iii) material falsity in any certificate, statement, representation, warranty or audit at any time furnished by or on behalf of the Borrower or any endorser or guarantor or any other party liable for payment of all or part of the Secured Obligations, pursuant to or in connection with this Agreement or otherwise to the Lender, including warranties in this Agreement and including any omission to disclose any substantial contingent or liquidated liabilities or any material adverse change in facts disclosed by any certificate, statement, representation, warranty or audit furnished to the Lender; or (iv) any attachment or levy against the Collateral or any other occurrence that inhibits the Lender's free access to the Collateral.

(b) Upon the occurrence of an Event of Default, the Lender may exercise such remedies and rights as are available hereunder, under the Note or otherwise. This paragraph is not intended to affect or impair any rights of the Lender with respect to any Secured Obligations that may now or hereafter be payable on demand.

(c) Upon the occurrence of any Event of Default, the Lender's rights with respect to the Collateral shall be those of a secured party under the UCC and any other applicable law in effect from time to time. The Lender shall also have any additional rights granted herein and in any other agreement now or hereafter in effect between the Borrower and the Lender. If requested by the Lender after the occurrence of an Event of Default, the Borrower will assemble the Collateral and make it available to the Lender at a place to be designated by the Lender.

(d) Upon the occurrence of any Event of Default, the Lender shall be entitled to exercise any and all rights with respect to the Collateral and to sell all or any part of the Collateral at public or private sale in accordance with the UCC, without advertisement, in such manner and order as the Lender may elect subject to complying with the UCC. The Lender may purchase the Collateral for its own account at any such sale. The Lender shall give the Borrower such notice of any public or private sale as may be required by the UCC, provided that to the extent notice of any such sale is required by the UCC, the Borrower agrees that at least ten days' notice to the Borrower of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification and provided further that, if the Lender fails to comply with this sentence in any respect, its liability for such failure shall be limited to the liability (if any) imposed on it as a matter of law under the UCC. The Borrower acknowledges that Collateral may be sold at a loss to the Borrower, and that, in such event, the Lender shall have no liability or responsibility to the Borrower for such loss. The Borrower further acknowledges that a private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that no such private sale shall, to the extent permitted by applicable law, be deemed not to be "commercially reasonable" solely as a result of such prices and other sale terms. Upon any such sale, the Lender shall have the right to deliver, assign and transfer to the buyer thereof the Collateral so sold. Each buyer at any such sale shall hold the Collateral so sold absolutely and free from any claim or right of whatsoever kind, including any equity or right of redemption of the Borrower that may be waived or any other right or claim of the Borrower, and the Borrower, to the extent permitted by law, hereby specifically waives all rights of redemption, stay or appraisal that the Borrower has or may have under any law now existing or hereafter adopted. Without limiting any other rights and remedies available to the Lender, the Borrower expressly acknowledges and agrees that with respect to Collateral consisting of notes, bonds or other securities which are not sold on a recognized market, the Lender shall be deemed to have conducted a commercially reasonable sale of such Collateral if (a) such sale is conducted by any nationally recognized broker-dealer (including any affiliate of the Lender), investment banker or any other method common in the securities industry, and (b) if the purchaser is the Lender or any affiliate of the Lender, the sale price received by the Lender or any such affiliate in connection with such sale is reasonably supported by quotations received from one or more other nationally recognized broker-dealers, investment bankers or other financial institutions.

(e) The Borrower shall pay all costs and expenses incurred by the Lender in enforcing this Agreement, realizing upon any Collateral and collecting any Secured Obligations (including attorneys' fees) whether suit is brought or not and whether incurred in connection with collection, trial, arbitration, appeal or otherwise and, to the extent of the Borrower's liability for repayment of any of the Secured Obligations, shall be liable for any deficiencies in the event the Proceeds of disposition of the Collateral do not satisfy the Secured Obligations in full. Nothing contained herein shall be deemed to require the Lender to proceed against the Collateral or any part thereof before or as a condition to the pursuit of any of its other rights and remedies with respect to the Secured Obligations.

8. Miscellaneous.

(a) The Borrower authorizes the Lender to file financing statements and continuation statements and amendments thereto with respect to the Collateral without authentication by the Borrower to the extent permitted by law and the Borrower consents to and ratifies any filings made by the Lender prior to the date hereof. The Borrower authorizes the Lender to use a generic description of the Collateral (such as "all assets" or "all personal property") in any financing statements. The Borrower agrees not to file any financing statement, amendment or termination statement with respect to the Collateral prior to the payment and satisfaction in full of all Secured Obligations. The Borrower irrevocably appoints the Lender as the Borrower's attorney-in-fact to execute any such financing statements in the Borrower's name (if the Lender determines that any such execution is required) and to perform all other acts that the Lender deems appropriate to perfect and to continue perfection of the Security Interest.

(b) The Borrower hereby irrevocably consents to any act by the Lender or its agents in entering upon any premises for the purposes of either (i) inspecting the Collateral or (ii) taking possession of the Collateral after any Event of Default in any commercially reasonable manner. The Borrower hereby waives its right to assert against the Lender or its agents any claim based upon trespass or any similar cause of action for entering upon any premises where the Collateral may be located.

(c) The Borrower authorizes the Lender to collect and apply against the Secured Obligations any refund of insurance premiums or any insurance proceeds payable on account of the loss or damage to any of the Collateral and appoints the Lender as the Borrower's attorney-in-fact to endorse any check or draft representing such proceeds or refund.

(d) Upon the Borrower's failure to perform any of its duties hereunder, the Lender may, but it shall not be obligated to, perform any of the duties and the Borrower shall forthwith upon demand reimburse the Lender for any expenses incurred by the Lender in so doing.

(e) No delay or omission by the Lender in exercising any right hereunder or with respect to any Secured Obligations shall operate as a waiver of that or any other right, and no single or partial exercise of any right shall preclude the Lender from any other or further exercise of the right or the exercise of any other right or remedy. The Lender may cure any Event of Default by the Borrower in any reasonable manner without waiving the Event of Default so cured and without waiving any other prior or subsequent Event of Default by the Borrower. All rights and remedies of the Lender under this Agreement and under the UCC shall be deemed cumulative.

(f) The Lender shall exercise reasonable care in the custody and preservation of the Collateral to the extent required by law and it shall be deemed to have exercised reasonable care if it takes such action for that purpose as the Borrower shall reasonably request in writing. However, no omission to do any act not requested by the Borrower shall be deemed a failure to exercise reasonable care and no omission to comply with any requests by the Borrower shall of itself be deemed a failure to exercise reasonable care. The Lender shall have no obligation to take and the Borrower shall have the sole responsibility for taking any steps to preserve rights against all prior parties to any Instrument or Chattel Paper in the Lender's possession as Collateral or as Proceeds of the Collateral. The Borrower waives notice of dishonor and protest of any Instrument constituting Collateral at any time held by the Lender on which the Borrower is in any way liable and waives notice of any other action taken

by the Lender.

(g) The Borrower shall, upon request of the Lender, direct each of its Account Debtors (as defined herein) to remit payment of all Accounts to such lockbox, post office box or other address as the Lender may designate from time to time. From and after the occurrence of any Event of Default, the Lender may notify each Account Debtor of the Security Interest and may also direct such Account Debtor to make all payments on the Collateral to the Lender. All payments on and other Proceeds from the Collateral received by the Lender directly or from the Borrower shall be applied to the Secured Obligations in such order and manner and at such time as the Lender shall in its sole discretion determine. Unless the Lender notifies the Borrower in writing that it dispenses with one or more of the following requirements, any payments on or other Proceeds of the Collateral received by the Borrower before or after notification to any Account Debtor shall be held by the Borrower in trust for the Lender in the same medium in which received, shall not be commingled with any assets of the Borrower and shall be turned over to the Lender not later than the next business day following the day of their receipt. From and after the occurrence of an Event of Default, the Borrower shall also promptly notify the Lender of the return to or repossession by the Borrower of goods underlying any Collateral. For purposes hereof, an "Account Debtor" shall mean any person or entity who is obligated to pay the Borrower any amounts under any Receivables, Accounts, notes, Instruments, Chattel Paper or General Intangibles or other Collateral.

(h) The Borrower authorizes the Lender without affecting the Borrower's obligations hereunder from time to time: (i) to take from any party and hold collateral (other than the Collateral) for the payment of the Secured Obligations or any part thereof, and to exchange, enforce or release such collateral or any part thereof; (ii) to accept and hold the endorsement or guaranty of payment of the Secured Obligations or any part thereof and to release or substitute any such endorser or guarantor or any party who has given any security interest in any collateral as security for the payment of the Secured Obligations or any part thereof or any party in any way obligated to pay the Secured Obligations or any part thereof; and (iii) upon the occurrence of any Event of Default to direct the manner of the disposition of the Collateral and any other collateral and the enforcement of any endorsements or guaranties relating to the Secured Obligations or any part thereof as the Lender in its sole discretion may determine.

(i) The Lender may demand, collect and sue for all Proceeds (either in the Borrower's name or the Lender's name at the Lender's option), with the right to enforce, compromise, settle or discharge any Proceeds. The Borrower irrevocably appoints the Lender as the Borrower's attorney-in-fact to endorse the Borrower's name on all checks, commercial paper and other Instruments pertaining to the Proceeds before or after the occurrence of an Event of Default.

(j) The rights and benefits of the Lender under this Agreement shall, if the Lender agrees, inure to any party acquiring an interest in the Secured Obligations or any part thereof.

(k) The terms "Lender" and "Borrower" as used in this Agreement include the heirs, personal representatives and successors or assigns of those parties.

(l) This Agreement may not be modified or amended nor shall any provision of it be waived except in writing signed by the Borrower and by an authorized officer of the Lender.

(m) This Agreement shall be governed and construed by California law and any other applicable laws in effect from time to time.

(n) This Agreement is a continuing agreement that shall remain in force until the last to occur of: (i) the payment in full of all Secured Obligations if such payment of the Secured Obligations has become final and is not subject to being refunded as a preference or fraudulent transfer under the Bankruptcy Code or other applicable law; and (ii) the termination of all agreements or obligations (whether or not conditional) of the Lender to extend credit to, or pay or accept drafts on behalf of, the Borrower.

9. Dispute Resolution Provision. This paragraph, including the subparagraphs below, is referred to as the "Dispute Resolution Provision". This Dispute Resolution Provision is a material inducement for the parties entering into this agreement.

(a) This Dispute Resolution Provision concerns the resolution of any controversies or claims between the parties, whether arising in contract, tort or by statute, including but not limited to controversies or claims that arise out of or relate to: (i) this agreement (including any renewals, extensions or modifications); or (ii) any document related to this agreement (collectively a "Claim"). For the purposes of this Dispute Resolution Provision only, the term "parties" shall include any parent corporation, subsidiary or affiliate of the Lender involved in the servicing, management or administration of any obligation described or evidenced by this agreement.

(b) At the request of any party to this agreement, any Claim shall be resolved by binding arbitration in accordance with the Federal Arbitration Act (Title 9, U.S. Code) (the "Act"). The Act will apply even though this agreement provides that it is governed by the law of a specified state.

(c) Arbitration proceedings will be determined in accordance with the Act, the then-current rules and procedures for the arbitration of financial services disputes of the American Arbitration Association or any successor thereof ("AAA"), and the terms of this Dispute Resolution Provision. In the event of any inconsistency, the terms of this Dispute Resolution Provision shall control. If AAA is unwilling or unable to (i) serve as the provider of arbitration or (ii) enforce any provision of this arbitration clause, the Lender may designate another arbitration organization with similar procedures to serve as the provider of arbitration.

(d) The arbitration shall be administered by AAA and conducted, unless otherwise required by law, in any U.S. state where real or tangible personal property collateral for this credit is located or if there is no such collateral, in the state specified in the governing law section of this agreement. All Claims shall be determined by one arbitrator; however, if Claims exceed Five Million Dollars ($5,000,000), upon the request of any party, the Claims shall be decided by three arbitrators. All arbitration hearings shall commence within ninety (90) days of the demand for arbitration and close within ninety (90) days of commencement and the award of the arbitrator(s) shall be issued within thirty (30) days of the close of the hearing. However, the arbitrator(s), upon a showing of good cause, may extend the commencement of the hearing for up to an additional sixty (60) days. The arbitrator(s) shall provide a concise written statement of reasons for the award. The arbitration award may be submitted to any court having jurisdiction to be confirmed and have judgment entered and enforced.

(e) The arbitrator(s) will give effect to statutes of limitation in determining any Claim and may dismiss the arbitration on the basis that the Claim is barred. For purposes of the application of any statutes of limitation, the service on AAA under applicable AAA rules of a notice of Claim is the equivalent of the filing of a lawsuit. Any dispute concerning this arbitration provision or whether a Claim is arbitrable shall be determined by the arbitrator(s), except as set forth at subparagraph (h) of this Dispute Resolution Provision. The arbitrator(s) shall have the power to award legal fees pursuant to the terms of this agreement.

(f) This paragraph does not limit the right of any party to: (i) exercise self-help remedies, such as but not limited to, setoff; (ii) initiate judicial or non-judicial foreclosure against any real or personal property collateral; (iii) exercise any judicial or power of sale rights, or (iv) act in a court of law to obtain an interim remedy, such as but not limited to, injunctive relief, writ of possession or appointment of a receiver, or additional or supplementary remedies.

(g) The filing of a court action is not intended to constitute a waiver of the right of any party, including the suing party, thereafter to require submittal of the Claim to arbitration.

(h) Any arbitration or trial by a judge of any Claim will take place on an individual basis without resort to any form of class or representative action (the "Class

Action Waiver"). Regardless of anything else in this Dispute Resolution Provision, the validity and effect of the Class Action Waiver may be determined only by a court and not by an arbitrator. The parties to this Agreement acknowledge that the Class Action Waiver is material and essential to the arbitration of any disputes between the parties and is nonseverable from the agreement to arbitrate Claims. If the Class Action Waiver is limited, voided or found unenforceable, then the parties' agreement to arbitrate shall be null and void with respect to such proceeding, subject to the right to appeal the limitation or invalidation of the Class Action Waiver. **The Parties acknowledge and agree that under no circumstances will a class action be arbitrated.**

(i) By agreeing to binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any Claim. Furthermore, without intending in any way to limit this agreement to arbitrate, to the extent any Claim is not arbitrated, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of such Claim. This waiver of jury trial shall remain in effect even if the Class Action Waiver is limited, voided or found unenforceable. **WHETHER THE CLAIM IS DECIDED BY ARBITRATION OR BY TRIAL BY A JUDGE, THE PARTIES AGREE AND UNDERSTAND THAT THE EFFECT OF THIS AGREEMENT IS THAT THEY ARE GIVING UP THE RIGHT TO TRIAL BY JURY TO THE EXTENT PERMITTED BY LAW.**

10. NOTICE OF FINAL AGREEMENT. THIS WRITTEN SECURITY AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

11. Waiver. IF AN EVENT OF DEFAULT SHOULD OCCUR, THE BORROWER WAIVES ANY RIGHT THE BORROWER MAY HAVE TO NOTICE AND A HEARING BEFORE THE LENDER TAKES POSSESSION OF THE COLLATERAL BY SELF-HELP, REPLEVIN, ATTACHMENT, SETOFF OR OTHERWISE.

[*Signature Pages to Follow*]

EXECUTED and delivered as of the day and year first above written.

STARCO BRANDS, INC.

By: */s/ Darin Brown*
Name: Darin Brown
Title: Director

LENDER

/s/ Ross Sklar
Ross Sklar

Exhibit 10.3

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THIS WARRANT AND SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT MAY NOT BE SOLD, OFFERED FOR SALE, TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO SUCH SECURITIES UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

STARCO BRANDS, INC.

WARRANT
TO
PURCHASE CLASS A COMMON STOCK

Effective as of March 3, 2023

Void After March 2, 2028

This Certifies That, for value received, **Ross Sklar**, an individual ("Holder"), is entitled to subscribe for and purchase from **STARCO BRANDS, INC**., a Nevada corporation (the "Company"), during the Exercise Period (as defined below), up to that number of shares of the Company's Class A common stock equal to the Exercise Shares at the Exercise Price (each as hereinafter defined), subject to the provisions and upon the terms and conditions provided herein.

1. Definitions. As used herein, the following terms shall have the following respective meanings:

(a) "Exercise Period" shall mean the period commencing on the date first set forth above and ending on March 2, 2028, in accordance with the vesting and exercise schedule attached hereto as Appendix A, unless sooner terminated as provided below.

(b) "Exercise Price" shall mean, for each Exercise Share issuable upon exercise of this Warrant, one cent ($0.01) subject to adjustment pursuant to Section 4 and Section 5.

(c) "Exercise Shares" shall mean the Exercise Shares issuable upon exercise of this Warrant, initially equal to One Hundred Fourteen Thousand Two Hundred Eighty-Six (114,286) shares of the Company's Class A common stock in the aggregate, subject to adjustment pursuant to Section 4 and Section 5.

(d) "Warrant" shall mean this Warrant to purchase Exercise Shares, which shall be treated as non-qualified stock options.

2. Exercise of Warrant. The rights represented by this Warrant may be exercised in whole or in part at any time during the Exercise Period to the extent the number of Exercise Shares have vested and are exercisable in accordance with Section 4.3, by delivery of the following to the Company at its address set forth below (or at such other address as it may designate by notice in writing to the Holder):

(a) Delivery. Holder shall deliver:

(i) An executed Notice of Exercise in the form attached hereto as Exhibit A (the "Notice of Exercise");

(ii) Payment of the Exercise Price, at the option of the Holder either (i) in cash, wire or by check, (ii) by cancellation of indebtedness owed by the Company to Holder; or (iii) through the Cashless Exercise procedure specified in Section 2(b) below and in the applicable Notice of Exercise; and

(iii) This Warrant.

(b) Cashless Exercise(s).

(i) No Registration Cashless Exercise. This Warrant may be exercised, in whole or in part, at such time by means of a "Cashless Exercise" in which the Holder shall be entitled to receive a number of Exercise Shares in an amount equal to the quotient obtained by dividing (X multiplied by (A-B)) by (A) , where:

(A) = as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is (1) both executed and delivered pursuant to Section 2(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2(a) hereof on a Trading Day prior to the opening of "regular trading hours" (as defined in Rule 600(b) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) at the option of the Holder, either (y) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise or (z) the Bid Price of the Class A common stock on the principal Trading Market as reported by Bloomberg L.P. as of the time of the Holder's execution of the applicable Notice of Exercise if such Notice of Exercise is executed during "regular trading hours" on a Trading Day and is delivered within two (2) hours thereafter (including until two (2) hours after the close of "regular trading hours" on a Trading Day) pursuant to Section 2(a) hereof or (iii) the VWAP on the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 2(a) hereof after the close of "regular trading hours" on such Trading Day;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Exercise Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a Cashless Exercise.

If Exercise Shares are issued in such a Cashless Exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Exercise Shares shall take on the characteristics of the Warrants being exercised. The Company agrees not to take any position contrary to this Section 2(b)(i).

Upon the exercise of the rights represented by this Warrant, the Exercise Shares so purchased shall be registered in the name of the Holder, and shall be issued and delivered to the Holder electronically through book entry delivery within a reasonable time after the rights represented by this Warrant shall have been so exercised.

The person in whose name any book entry Exercise Shares are to be issued upon exercise of this Warrant shall be deemed to have become the holder of record of such shares on the date on which this Warrant was surrendered and payment of the Exercise Price was made, irrespective of the date of book entry delivery of such Exercise Shares, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

This Warrant is being granted in connection with the Holder or its affiliates providing services to the Company. The exercise of this Warrant, or any portion thereof, shall be reported as compensation by the Company.

Definitions in this Section 2

"Bid Price" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Class A common stock is then listed or quoted on a Trading Market, the bid price of the Class A common stock for the time in question (or the nearest preceding date) on the Trading Market on which the Class A common stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average per share price of the Class A common stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Class A common stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Class A common stock are then reported on the OTC Pink Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Class A common stock so reported, or (d) in all other cases, the fair market value of a share of Class A common stock as determined by an independent appraiser selected in good faith by the Company and either (i) the Holder, or (ii) the holders of a majority in interest of the Warrants then outstanding, the fees and expenses of which shall be paid by the Company.

"Trading Day" means a day on which the Class A common stock is traded on a Trading Market.

"Trading Market" means any of the following markets or exchanges on which the Class A common stock is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, OTCQB or OTCQX (or any successors to any of the foregoing).

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Class A common stock is then listed or quoted on a Trading Market, the daily volume weighted average price per share of the Class A common stock for such date (or the nearest preceding date) on the Trading Market on which the Class A common stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Class A common stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Class A common stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Class A common stock is then reported on the OTC Pink Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Class A common stock so reported, or (d) in all other cases, the fair market value of a share of Class A common stock as determined by an independent appraiser selected in good faith by the holders of a majority in interest of the Warrants then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

3. Covenants of the Company.

3.1 Covenants as to Issuance of Exercise Shares. The Company covenants and agrees that all Exercise Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance, be validly issued and outstanding, fully paid and non-assessable, and free from all taxes, liens and charges with respect to the issuance thereof.

3.2 Reservation of Sufficient Exercise Shares. The Company covenants and agrees that the Company will at all times during the Exercise Period, have authorized and reserved a sufficient number of Exercise Shares to provide for the exercise of the rights represented by this Warrant. If at any time during the Exercise Period the number of authorized but unissued Exercise Shares shall not be sufficient to permit exercise of this Warrant, the Company will take such corporate action as may be necessary to increase its authorized but unissued Exercise Shares to such number as shall be sufficient for such purposes.

4. Adjustment of Exercise Price, Exercise Shares and Character of Exercise Shares.

4.1 Recapitalization, Reclassification or Reorganization. In the event of changes in the series of equity securities of the Company comprising the Exercise Shares by reason of stock dividends, splits, recapitalizations, reclassifications, combinations or exchanges of shares, separations, reorganizations, liquidations, or the like, the number and class of Exercise Shares available under this Warrant in the aggregate and the Exercise Price shall be correspondingly adjusted to give the Holder of this Warrant, on exercise for the same Aggregate Exercise Price (as defined below), the total number, class, and kind of shares as the Holder would have owned had this Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment. For purposes of this Section 4, the "Aggregate Exercise Price" shall mean the aggregate Exercise Price payable in connection with the exercise in full of this Warrant. The form of this Warrant need not be changed because of any adjustment in the number of Exercise Shares subject to this Warrant.

4.2 Consolidation, Merger or Sale of Assets. If any consolidation or merger of the Company with or into another corporation, or the sale of all or substantially all of its assets to another corporation shall be effected in such a way that holders of Exercise Shares shall be entitled to receive stock, securities, cash or other property with respect to or in exchange for Exercise Shares, then, as a condition of such consolidation, merger or sale, lawful and adequate provision shall be made whereby Holder shall have the right to acquire and receive, upon exercise of this Warrant, in lieu of the Exercise Shares, such shares of stock, securities, cash or other property issuable or payable (as part of the reorganization, reclassification, consolidation, merger or sale) with respect to or in exchange for such number of outstanding Exercise Shares as would have been received upon exercise of this Warrant at the Exercise Price. The Company will not effect any such consolidation, merger or sale, unless prior to the consummation thereof the successor corporation (if other than the Company) resulting from such consolidation or merger or the corporation purchasing such assets shall assume by written instrument mailed or delivered to Holder at the last address of Holder appearing on the books of the Company, the obligation to deliver to Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, Holder may be entitled to receive. If a purchase, tender or exchange offer is made to and accepted by the holders of more than 50% of the outstanding Exercise Shares, the Company shall not effect any consolidation, merger or sale with the person having made such offer or with any Affiliate of such person, unless prior to the consummation of such consolidation, merger or sale Holder shall have been given a reasonable opportunity to then elect to receive upon the exercise of this Warrant either the stock, securities or assets then issuable with respect to the Exercise Shares or the stock, securities or assets, or the equivalent, issued to previous holders of Exercise Shares in accordance with such offer. For purposes hereof the term "Affiliate" with respect to any given person shall mean any person controlling, controlled by or under common control with the given person.

4.3 Vesting Provision. This Warrant shall vest and become exercisable in accordance with Appendix A attached hereto. Any interpretation of the rules and the performance of responsibilities in connection with the vesting provisions in Appendix A shall be at the Company's sole discretion.

5. Certificate of Adjustment. In each case of an adjustment or readjustment of the Exercise Price or Exercise Shares, the Company, at its expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and shall prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to the Holder of this Warrant shown on the Company's books at the Holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including, as applicable, a statement of (i) the consideration received or deemed to be received by the Company for any additional Units issued or sold or deemed to have been issued or sold, (ii) the Exercise Price and Exercise Shares at the time in effect, (iii) the number of additional Units and (iv) the type and amount, if any, of other property which at the time would be received upon exercise of this Warrant.

6. Fractional Shares. No fractional shares shall be issued upon the exercise of this Warrant as a consequence of any adjustment pursuant hereto. All Exercise Shares (including fractions) issuable upon exercise of this Warrant may be aggregated for purposes of determining whether the exercise would result in the issuance of any fractional share. If, after aggregation, the exercise would result in the issuance of a fractional share, the Company shall, in lieu of issuance of any fractional share, round down to the nearest whole share.

7. Representations of Holder.

7.1 Acquisition of Warrant for Personal Account . The Holder represents and warrants that it is acquiring this Warrant and the Exercise Shares solely for its account for investment and not with a view to or for sale or distribution of said Warrant or Exercise Shares or any part thereof. The Holder also represents that the entire legal and beneficial interests of this Warrant and Exercise Shares the Holder is acquiring is being acquired for, and will be held for, its account only.

7.2 Securities Are Not Registered.

(a) The Holder understands that this Warrant and the Exercise Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act") on the basis that no distribution or public offering of the stock of the Company is to be effected. The Holder realizes that the basis for the exemption may not be present if, notwithstanding its representations, the Holder has a present intention of acquiring the securities for a fixed or determinable period in the future, selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the securities. The Holder has no such present intention.

(b) The Holder recognizes that this Warrant and the Exercise Shares must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Holder recognizes that the Company has no obligation to register this Warrant or the Exercise Shares of the Company, or to comply with any exemption from such registration.

(c) The Holder is aware that neither this Warrant nor the Exercise Shares may be sold pursuant to Rule 144 adopted under the Securities Act unless certain conditions are met, including, among other things, the existence of a public market for the shares, the availability of certain current public information about the Company, the resale following the required holding period under Rule 144 and the number of shares being sold during any three month period not exceeding specified limitations. Holder is aware that the conditions for resale set forth in Rule 144 have not been satisfied and that the Company presently has no plans to satisfy these conditions in the foreseeable future.

7.3 Disposition of Warrant and Exercise Shares.

(a) The Holder further agrees not to make any disposition of all or any part of this Warrant or Exercise Shares in any event unless and until:

(i) The Company shall have received a letter secured by the Holder from the Securities and Exchange Commission stating that no action will be recommended to the Securities and Exchange Commission with respect to the proposed disposition;

(ii) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with said registration statement; or

(iii) The Holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, the Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, for the Holder to the effect that such disposition will not require registration of such Warrant or Exercise Shares under the Securities Act or any applicable state securities laws.

(b) The Holder understands and agrees that all certificates evidencing the shares to be issued to the Holder may bear the following legend:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER THE SECURITIES ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

8. Market Stand-Off Agreement. Holder shall not sell, dispose of, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any Exercise Shares (or other securities) of the Company held by Holder, for a period of time specified by the managing underwriter(s) (not to exceed one hundred eighty (180) days) following the effective date of a registration statement of the Company filed under the Securities Act. Holder agrees to execute and deliver such other agreements as may be reasonably requested by the Company and/or the managing underwriter(s) which are consistent with the foregoing or which are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to such Exercise Shares (or other securities) until the end of such period. The underwriters of the Company's stock are intended third party beneficiaries of this Section 8 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

9. Transfer of Warrant. Subject to applicable laws and the restriction on transfer set forth on the first page of this Warrant, this Warrant and all rights hereunder are transferable, by the Holder in person or by duly authorized attorney, upon delivery of this Warrant and the form of assignment attached hereto as Exhibit B (the "Assignment Form") only for bona fide estate planning purposes by the holder thereof to his or her issue, or to a trustee or trustees of a trust, or such trust, whose vested beneficiaries then include a member or members of such holder's immediate family. The transferee shall sign an investment letter in form and substance satisfactory to the Company.

10. Lost, Stolen, Mutilated or Destroyed Warrant. If this Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as this Warrant so lost, stolen, mutilated or destroyed. Any such new Warrant shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, mutilated or destroyed Warrant shall be at any time enforceable by anyone.

11. Amendment. Any term of this Warrant may be amended or waived with the written consent of both the Company and the holder hereof.

12. Notices, etc. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed telex or facsimile if sent during normal business hours of the recipient, if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company at the address listed on the signature page hereto and to the holder at the address listed on the signature page hereto, or such other address as such party may designate by ten (10) days advance written notice to the other party.

13. Governing Law. This Warrant and all rights, obligations and liabilities hereunder shall be governed by and construed under the laws of the State of Nevada without giving effect to conflicts of laws principles.

[Signature Page Follows]

In Witness Whereof, the Company has caused this Warrant to Purchase Class A common stock to be executed by its duly authorized officer as of the date first written above.

COMPANY:

STARCO BRANDS, INC.

By: */s/ Darin Brown*
Name: Darin Brown
Title: Director

Address: Starco Brands, Inc.
250 26th Street, Suite 200
Santa Monica, California 90402
Attn: Ross Sklar, CEO

HOLDER:

/s/ Ross Sklar
Name: Ross Sklar