

MRN 8-13-98

08-17-1998



100794851

TRADEMARK ONLY

TRADEMARK ONLY

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

<p>1. Name of party(ies) conveying an interest:</p> <p>United Sports Group, Inc.</p> <p>Entity:</p> <input type="checkbox"/> Individual <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited P'Ship <input checked="" type="checkbox"/> Corporation - State - Minnesota <input type="checkbox"/> Other _____	<p>2. Name and Address of Party(ies) receiving an interest:</p> <p>Sherman Associates, Inc. 1525 South Fourth Street Suite 200 Minneapolis, MN 55402</p> <p>Entity:</p> <input type="checkbox"/> Individual <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited P'Ship <input checked="" type="checkbox"/> Corporation-State - Minnesota <input type="checkbox"/> Other _____
<p>3. Interest Conveyed</p> <input type="checkbox"/> Assignment <input type="checkbox"/> Change of Name <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Other _____ <input type="checkbox"/> _____ <input type="checkbox"/> Merger	<p>If not domiciled in the United States, a domestic representative designation is attached:</p> <input type="checkbox"/> Yes <input type="checkbox"/> No <p>(the attached document must be an assignment)</p>
<p>4. Application number(s) or registration number(s).</p> <p>A. Trademark Application No.(s):</p>	<p>Additional Sheet attached: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>B. Trademark Registration No.(s) Reg. No. 665004 Reg. No. 837849</p>
<p>5. Name and address of party to whom correspondence concerning document should be mailed:</p> <p>James W. Dierking Winthrop & Weinstine, P.A. 3000 Dain Rauscher Plaza 60 S. 6th Street Minneapolis, MN 55402</p>	<p>6. Number of applications and registrations involved:</p> <p style="text-align: center;">2</p> <p>7. Amount of fee enclosed or authorized to be charged:</p> <p style="text-align: center;">\$65.00</p> <p>8. Deposit account number (Attach duplicate copy of this form if paying by deposit account):</p> <p style="text-align: center;">N/A</p>
<p style="text-align: center;">DO NOT USE THIS SPACE</p>	
<p>9. Date of execution of attached document: <u>July 31</u>, 1998</p> <p>10. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on: <u>July 31</u>, 1998</p> <p>UNITED SPORTS GROUP, INC.</p> <p>By: <u>Burt Steinberg</u> Title: President and CEO</p>	

08/17/1998 NGUYEN 00000014 665004

01 FC:481
02 FC:482

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SECURITY AGREEMENT

THIS SECURITY AGREEMENT, is made as of this 28th day of October, 1997, by United Sports Group, Inc., a Minnesota corporation (the "Debtor"), in favor of Sherman Associates, Inc., a Minnesota corporation ("Secured Party").

In order to secure the payment of the obligations of the Debtor to the Secured Party pursuant to that certain Promissory Note dated April 1, 1997 executed by the Debtor and payable to the order of the Secured Party in the original principal amount of \$1,200,000, as amended (the "Note") (whether such debt, liability or obligation now exists or is hereafter created or incurred, whether it arises under or is evidenced by this Agreement or any other present or future instrument or agreement or by operation of law, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or sole, joint, several or joint and several) (all such debts, liabilities and obligations of Debtor to Secured Party herein collectively referred to as the "Secured Obligations"), Debtor hereby agrees as follows:

1. SECURITY INTEREST AND COLLATERAL. In order to secure the payment and performance of the Secured Obligations, Debtor hereby grants to Secured Party a security interest (herein called the "Security Interest") in and to the following property (hereinafter collectively referred to as the "Collateral"):

any and all furniture, fixtures, machinery, equipment, inventory, accounts, vehicles, prepaid insurance, supplies, patents, patent rights, copyrights, trademarks, trade names, goodwill, royalty rights, franchise rights, chattel paper, license rights, documents, instruments, general intangibles, investment property and any and all other goods, now owned or hereafter acquired by the Debtor and wherever located, including, without limitation, the trademarks and trade names described on Exhibit A hereto and the goodwill associated therewith, wherever located,

together with all substitutions and replacements for and products and proceeds of any of the foregoing property and, in the case of all tangible Collateral, together with (i) all accessories, attachments, parts, equipment, accessions and repairs now or hereafter attached or affixed to or used in connection with any such goods, and (ii) all warehouse receipts, bills of lading and other documents of title now or hereafter covering such goods.

2. REPRESENTATIONS, WARRANTIES AND AGREEMENTS. Debtor hereby represents and warrants to, and covenants and agrees with, Secured Party as follows:

- (a) Except as set forth on Exhibit A, the Debtor does not own any interest in any copyrights, patents or trademarks that are registered under either federal or state law.

- (b) Except as set forth on Exhibit B, the Debtor does not own any interest in any certificated vehicle or piece of equipment.
- (c) The Collateral will be used primarily for business purposes. Debtor's chief executive office is located at 2845 Brookdale Drive, Brooklyn Park, Minnesota 55444, and it keeps and will keep all of its books and records with respect to all of its accounts at such address.
- (d) If any part or all of the Collateral will become so related to particular real estate as to become a fixture, the Debtor will promptly advise the Secured Party as to real estate concerned and the record owner thereof and execute and deliver any and all instruments necessary to perfect the Security Interest therein and to assure that such Security Interest will be prior to the interest therein of the owner of the real estate.
- (e) During the preceding one (1) year Debtor has not changed its name or operated or conducted business under any trade name or "d/b/a" which is different from its corporate name, other than "Hart Skis". Debtor shall promptly notify Secured Party of any change in such name or if it operates or conducts business under any trade name or "d/b/a" which is different from such names.
- (f) Debtor has (or will have at the time Debtor acquires rights in Collateral hereafter acquired or arising) and will maintain absolute title to each item of Collateral free and clear of all security interests, liens and encumbrances, except the Security Interest, and such other security interests as are authorized by the Lender in writing (the Security Interest and such other security interests are hereinafter collectively referred to as the "Permitted Interests"), and will defend the Collateral against all claims or demands of all persons other than Secured Party and those holding Permitted Interests. Debtor will not sell or otherwise dispose of the Collateral or any interest therein except that until Secured Party has made a demand for payment of the Secured Obligations or until an Event of Default has occurred (under the Note), the Debtor may (i) sell inventory in the ordinary course of its business, and (ii) sell obsolete equipment in the ordinary course of business.
- (g) Debtor will not permit any Collateral to be located in any state (and, if county filing is required, in any county) in which a financing statement covering such Collateral is required to be, but has not in fact been, filed.
- (h) All rights to payment and all instruments, documents, chattel papers and other agreements constituting or evidencing Collateral are (or will be when arising or issued) the valid, genuine and legally enforceable obligation, subject to no defense, set-off or counterclaim (other than those arising in the ordinary course of business) of each account debtor or other obligor named therein or in Debtor's records pertaining thereto as being obligated to pay such obligation. Debtor will not agree to any modification, amendment or cancellation of any such obligation

without Secured Party's prior written consent, and will not subordinate any such right to payment to claims of other creditors of such account debtor or other obligor.

- (i) Debtor will (i) keep all Collateral in good repair, working order and condition, normal depreciation excepted, and will, from time to time, replace any worn, broken or defective parts thereof; (ii) other than taxes and other governmental charges contested in good faith and by appropriate proceedings, promptly pay all taxes and other governmental charges levied or assessed upon or against any Collateral or upon or against the creation, perfection or continuance of the Security Interest; (iii) keep all Collateral free and clear of all security interests, liens and encumbrances except the Permitted Interests; (iv) at all reasonable times, permit Secured Party or its representatives to examine or inspect any Collateral, wherever located, and to examine, inspect and copy Debtor's books and records pertaining to the Collateral and its business and financial condition and to discuss with account debtors and other obligors requests for verifications of amounts owed to Debtor; (v) keep accurate and complete records pertaining to the Collateral and pertaining to Debtor's business and financial condition and will submit to Secured Party such periodic reports concerning the Collateral and Debtor's business and financial condition as Secured Party may from time to time reasonably request; (vi) promptly notify Secured Party of any loss or material damage to any Collateral or of any material adverse change, known to Debtor, in the prospect of payment of any sums due on or under any instrument, chattel paper or account constituting Collateral; (vii) if Secured Party at any time so requests promptly deliver to Secured Party any instrument, document or chattel paper constituting Collateral, duly endorsed or assigned by Debtor to Secured Party; (viii) at all times keep all Collateral insured against risks of fire (including so called extended coverage), theft, collision (in case of collateral consisting of motor vehicles) and such other risks and in such amounts as Secured Party may reasonably request, with any loss payable to Secured Party to the extent of its interest and notify the Secured Party in writing of any loss or damage to the Collateral or any part; (ix) from time to time execute such financing statements as Secured Party may reasonably deem required to be filed in order to perfect the Security Interest and, if any Collateral is covered by a certificate of title, execute such documents as may be required to have the Security Interest properly noted on a certificate of title; (x) pay when due or reimburse Secured Party on demand for all costs of collection of any of the Secured Obligations and all other out-of-pocket expenses (including in each case all attorneys' fees) incurred by Secured Party in connection with the creation, perfection, satisfaction or enforcement of the Security Interest or the execution or creation, continuance or enforcement of this Agreement or any or all of the Secured Obligations including expenses incurred in any litigation or bankruptcy or insolvency proceedings; (xi) execute, deliver or endorse any and all instruments, documents, assignments, security agreements and other agreements and writings which Secured Party may at any time reasonably request in order to secure, protect, perfect or enforce the Security Interest and Secured Party's rights under this Agreement, including,

without limitation, an assignment of claim with respect to any account which is a government receivable; (xii) not use or keep any Collateral, or permit it to be used or kept, for any unlawful purpose or in violation of any federal, state or local law, statute or ordinance; (xiii) permit Secured Party at any time and from time to time to send requests (both before and after Secured Party has made a demand for payment of the Secured Obligations or an Event of Default has occurred under the Note) to account debtors or other obligors for verification of amounts owed to Debtor; and (xiv) not permit any Collateral to become part of or to be affixed to any real property, without first assuring to the reasonable satisfaction of Secured Party that the Security Interest will be prior and senior to any interest or lien then held or thereafter acquired by any mortgagee of such real property or the owner or purchaser of any interest therein. If Debtor at any time fails to perform or observe any agreement contained in this Section 2(i), and if such failure shall continue for a period of ten (10) calendar days after Secured Party gives Debtor written notice thereof (or, in the case of the agreements contained in clauses (viii) and (ix) of this Section 2(i), immediately upon the occurrence of such failure, without notice or lapse of time) Secured Party may (but need not) perform or observe such agreement on behalf and in the name, place and stead of Debtor (or, at Secured Party's option, in Secured Party's own name) and may (but need not) take any and all other actions which Secured Party may reasonably deem necessary to cure or correct such failure (including, without limitation, the payment of taxes, the satisfaction of security interests, liens or encumbrances (other than Permitted Interests), the performance of obligations under contracts or agreements with account debtors or other obligors, the procurement and maintenance of insurance, the execution of financing statements, the endorsement of instruments, and the procurement of repairs, transportation or insurance); and, except to the extent that the effect of such payment would be to render any loan or forbearance of money usurious or otherwise illegal under any applicable law, Debtor shall thereupon pay Secured Party on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees) incurred by Secured Party in connection with or as a result of Secured Party's performing or observing such agreements or taking such actions, together with interest thereon from the date expended or incurred by Secured Party at the applicable interest rate under the Note. To facilitate the performance or observance by Secured Party of such agreements of Debtor, Debtor hereby irrevocably appoints (which appointment is coupled with an interest) Secured Party, or its delegate, as the attorney-in-fact of Debtor with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file, in the name and on behalf of Debtor, any and all instruments, documents, financing statements, applications for insurance and other agreements and writings required to be obtained, executed, delivered or endorsed by Debtor under this Section 2.

3. ASSIGNMENT OF INSURANCE. Debtor hereby assigns to Secured Party, as additional security for the payment of the Secured Obligations, any and all moneys (including but not limited to proceeds of insurance and refunds of unearned premiums) due or to become due under, and all other rights of Debtor under or with respect to, any and all policies of

insurance covering the Collateral, and Debtor hereby directs the issuer of any such policy to pay any such moneys to the Secured Party. Before and after the occurrence of an Event of Default under the Note, and before and after demand for payment of the Secured Obligations is made by the Secured Party and at any time thereafter, Secured Party may (but need not) in its own name or in Debtor's name, execute and deliver proofs of claim, receive all such moneys (subject to Debtor's rights), endorse checks and other instruments representing payment of such monies, and adjust, litigate, compromise or release any claim against the issuer of any such policy.

4. COLLECTION OF ACCOUNTS. Pursuant to Minn. Stat. Section 336.9-502, Secured Party may, or at Secured Party's request, Debtor shall, prior to or after the occurrence of an Event of Default under the Note and before or after demand for payment of the Secured Obligations is made by the Secured Party, and at any time thereafter, notify any account debtor or any obligor on an instrument to make payment directly to a post office box specified by and under the sole control of Secured Party, whether or not Secured Party was theretofore making collections with respect thereto, and Secured Party shall be entitled to take control of any proceeds thereof. If so requested by Secured Party, Debtor shall insert appropriate language on each invoice directing its customers to make payment to such post office box. Debtor hereby authorizes and directs Secured Party to deposit into a special collateral account to be established and maintained with Secured Party all checks, drafts and cash payments, received in said lock box. All deposits in said collateral account shall constitute proceeds of Collateral and shall not constitute payment of any of the Secured Obligations. At its option, Secured Party may, at any time, apply finally collected funds on deposit in said collateral account to the payment of the Secured Obligations in such order of application as Secured Party may determine, or permit Debtor to withdraw all or any part of the balance on deposit in said collateral account. If a collateral account is so established Debtor agrees that it will promptly deliver to Secured Party for deposit into said collateral account, all payments on accounts and chattel paper received by it. All such payments shall be delivered to Secured Party in the form received (except for Debtor's endorsement where necessary). Until so deposited, all payments on accounts and chattel paper received by the Debtor shall be held in trust by Debtor for and as the property of Secured Party and shall not be commingled with any funds or property of Debtor.
5. REMEDIES. Upon the occurrence of an Event of Default under the Note, and upon demand for payment of the Secured Obligations by the Secured Party, and at any time thereafter, Secured Party may exercise any one or more of the following rights or remedies if any or all of the Secured Obligations are not paid when due: (i) exercise and enforce any or all rights and remedies available after default to a secured party under the Uniform Commercial Code, including but not limited to the right to take possession of any Collateral, proceeding without judicial process or by judicial process (without a prior hearing or notice thereof, which Debtor hereby expressly waives), and the right to sell, lease or otherwise dispose of or use any or all of the Collateral; (ii) Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties; (iii) exercise its rights under any lessors' agreements regardless of whether or not the

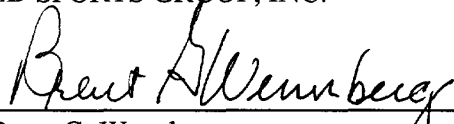
Debtor is in default under such leases; and (iv) exercise or enforce any or all other rights or remedies available to Secured Party by law or agreement against the Collateral, against Debtor or against any other person or property. Secured Party is hereby granted a non-exclusive, worldwide and royalty-free license to use or otherwise exploit all trademarks, franchises, copyrights and patents of Debtor that Secured Party deems necessary or appropriate to the disposition of any Collateral. If notice to Debtor of any intended disposition of Collateral or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in Section 6 hereof) at least ten (10) calendar days prior to the date of intended disposition or other action.

6. MISCELLANEOUS. This Agreement does not contemplate a sale of accounts or chattel paper, and, as provided by law, Debtor is entitled to any surplus and shall remain liable for any deficiency. This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by Secured Party. A waiver signed by Secured Party shall be effective only in the specific instance and for the purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of Secured Party's rights or remedies. All rights and remedies of Secured Party shall be cumulative and may be exercised singularly or concurrently, at Secured Party's option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. All notices to be given to Debtor shall be deemed sufficiently given if deposited in the United States mails, registered or certified, postage prepaid, or personally delivered to Debtor at its chief executive office set forth in Section 2(c) hereof. Secured Party's duty of care with respect to Collateral in its possession (as imposed by law) shall be deemed fulfilled if Secured Party exercises reasonable care in physically safe keeping such Collateral or, in the case of Collateral in the custody or possession of a bailee or other third person, exercises reasonable care in the selection of the bailee or other third person, and Secured Party need not otherwise preserve, protect, insure or care for any Collateral. Secured Party shall not be obligated to preserve any rights Debtor may have against any other party, to realize on the Collateral at all or in any particular manner or order, or to apply any cash proceeds of Collateral in any particular order of application. This Agreement shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective heirs, representatives, successors and assigns and shall take effect when signed by Debtor and delivered to Secured Party, and Debtor waives notice of Secured Party's acceptance hereof. Secured Party may execute this Agreement if appropriate for the purpose of filing, but the failure of Secured Party to execute this Agreement shall not affect or impair the validity or effectiveness of this Agreement. Except to the extent otherwise required by law, this Agreement shall be governed by the laws of the State of Minnesota and, unless the context otherwise requires, all terms used herein which are defined in Articles 1 and 9 of the Uniform Commercial Code, as in effect in said state shall have the meanings therein stated. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All

representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Secured Obligations.

IN WITNESS WHEREOF, Debtor has executed and delivered to Secured Party this Security Agreement as of the day and year first above written.

UNITED SPORTS GROUP, INC.

By: 
Brent G. Wennberg
Its: President and Chief Executive Officer

MPL1: 249571-1

EXHIBIT A

List of Registered Trademarks
Hart Ski Mfg. Co., Inc.

<u>Mark</u>	<u>Registration No.</u>	<u>Country</u>
HART	Application in Process	People's Republic of China
H and Design	Application in Process	People's Republic of China
HART (App. No. 92-8278)	Application in Process	Korea
HART (App. No. 92-8276)	Application in Process	Korea
Design (App. No. 92-8279)	Application in Process	Korea
Design	260259	Korea
HART	665004	United States
H and Design	837849	United States
FREESTYLE ROLLERS (S/N 75/284447)	Application in Process	United States
HART	92540	Austria
HART	1 612 680	France
H and Design	1 612 681	France
HART	36910-C/88	Italy
H and Design	36911-C/88	Italy
Devicemark	104.880	Norway
H and Design	166.986	Sweden
HART	995.149	Germany
HART (and Device)	994.149	Germany

EXHIBIT B

(Certificated Vehicles and Equipment)