

11-02-1998



100865718 SHEET
TRADEMARKS ONLY

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

MRO 10/22/98

Submission Type

New

Resubmission Document ID # _____ (Non-Recordation)

Correction of PTO Error
Reel # _____ Frame # _____

Corrective Document
Reel # _____ Frame # _____

Conveyance Type

Assignment License

Security Agreement Nunc Pro Tunc Assignment

Merger

Change of Name Other _____

Effective Date
Month Day Year
December 31, 1997

Conveying Party

Mark if additional names of conveying parties attached

Name Execution Date
Month Day Year
December 31, 1997

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship/State of Incorporation/Organization

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/KA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

Individual General Partnership Limited Partnership If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment).

Corporation Association

Other

Citizenship/State of Incorporation/Organization

FOR OFFICE USE ONLY

11/02/1998 DNGUYEN 00000021 1703416

01 FC:481 40.00 OP

02 FC:482 175.00 OP

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

**Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231**

Domestic Representative Name and Address

Enter for the First Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments.

#

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

Method of Payment:

Enclosed

Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number: #

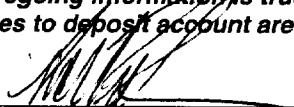
Authorization to charge additional fees: Yes No

Statement and Signature

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Charges to deposit account are authorized, as indicated herein.

Scott S. Packman

Name of Person Signing



Signature

10/21/98

Date Signed

AMENDED AND RESTATED SECURITY AGREEMENT

This **AMENDED AND RESTATED SECURITY AGREEMENT** (this "**Agreement**") is dated as of December 31, 1997, and entered into by and between **CHEERFUL INTERNATIONAL CORPORATION**, a California corporation ("**Grantor**"), and **PETER CHANG** ("**Secured Party**").

PRELIMINARY STATEMENTS

A. Grantor has executed and delivered a Promissory Note dated as of March 5, 1997 (the "**Cheerful Note**"), in favor of Secured Party in the principal amount of Four Million Eight Hundred Thousand Dollars (\$4,800,000.00).

B. In order to induce Secured Party to make advances under the Cheerful Note, Grantor and Secured Party entered into that certain Trademark Security Agreement dated as of March 5, 1997 (the "**Existing Security Agreement**"), in which Grantor assigned and granted to Secured Party a lien on and security interest in all of Grantor's existing Trademarks and all Registrations, Trademark Rights and Associated Goodwill pertaining thereto (as such terms are defined therein) and all the proceeds thereof.

C. Grantor has conveyed, granted, assigned and transferred all of its legal, beneficial and other right, title and interest in certain assets, including the Trademarks and all Registrations, Trademark Rights and Associated Goodwill pertaining thereto (the "**Purchased Property**"), and the identified registrations and applications thereof, to Avance International, LLC, a Delaware limited liability company ("**Avance**"), pursuant to that certain Bill of Sale dated as of July 1, 1997, by and between Grantor and Avance (the "**Sale**").

D. In partial payment for the Sale, Avance executed a promissory note dated as of December 31, 1997 (the "**Avance Note**"), in favor of Grantor in the principal amount of Five Hundred Thousand Dollars (\$500,000.00).

E. Grantor and Secured Party desire to (i) release Secured Party's lien on and security interest in the Purchased Property created by the Existing Security Agreement, and (ii) confirm Secured Party's lien on and security interest in the Avance Note, as proceeds of the Purchased Property.

F. For ease of reference and clarity, Grantor and Secured Party desire to amend and restate the Existing Security Agreement to incorporate the substitution of the Avance Note as collateral for the obligations of Grantor under the Cheerful Note. The parties expressly disclaim any intent to effect a novation or an extinguishment or discharge of the Existing Security Agreement as a result of entering into this Agreement and the other documents contemplated herein.

NOW, THEREFORE, in consideration of the premises and in order to induce Secured Party to make loans the repayment of which is evidenced by the Cheerful Note, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Grantor hereby agrees with Secured Party as follows:

SECTION 1. Release of Security Interest in Trademark Collateral.

Secured Party hereby releases its lien and security interest, created by the Existing Security Agreement, on and in all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located, in each case only to the extent such property also constitutes Purchased Property (the "**Trademark Collateral**"):

(a) each of the Trademarks and rights and interests in Trademarks that are presently, or in the future may be, owned, held (whether pursuant to a license or otherwise) or used by Grantor, in whole or in part (including, without limitation, the Trademarks specifically identified in Schedule A annexed hereto, as the same may be amended pursuant hereto from time to time), and including all Trademark Rights with respect thereto and all federal, state and foreign Registrations therefor heretofore or hereafter granted or applied for, the right (but not the obligation) to register claims under any state or federal trademark law or regulation or any trademark law or regulation of any foreign country and to apply for, renew and extend the Trademarks, Registrations and Trademark Rights, the right (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of Grantor or in the name of Secured Party or otherwise for past, present and future infringements of the Trademarks, Registrations or Trademark Rights and all rights (but not obligations) corresponding thereto in the United States and any foreign country, and the Associated Goodwill;

(b) all documents and things in Grantor's possession, or subject to Grantor's right to possession, related to (Y) the production, sale and delivery by Grantor, or by any Affiliate, licensee or subcontractor of Grantor, of products or services sold or delivered by or under the authority of Grantor in connection with the Trademarks, Registrations or Trademark Rights (which products and services shall, for purposes of this Agreement, be deemed to include, without limitation, products and services sold or delivered pursuant to merchandising operations utilizing any Trademarks, Registrations or Trademark Rights); or (Z) any retail or other merchandising operations conducted under the name of or in connection with the Trademarks, Registrations or Trademark Rights by Grantor or any Affiliate, licensee or subcontractor of Grantor;

(c) all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the Trademark Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon; and

(d) to the extent not included in the foregoing clauses (a) - (c), all general intangibles relating to the Trademark Collateral.

Notwithstanding anything to the contrary contained herein, Grantor does not release any property constituting Collateral (as defined in Section 2).

SECTION 2. Collateral. Grantor hereby acknowledges that, pursuant to Section 1 of the Existing Security Agreement, Secured Party was granted a lien on and security interest in all proceeds of the Trademark Collateral, and that the Avance Note constitutes such proceeds. Consequently, Grantor hereby confirms Secured Party's lien on and security interest in, and hereby assigns to Secured Party, and hereby grants to Secured Party a security interest in, all of Grantor's right, title and interest in and to the following, in each case whether now or hereafter existing or in which Grantor now has or hereafter acquires an interest and wherever the same may be located (the "**Collateral**");

(a) the Avance Note and the indebtedness evidenced by the Avance Note, and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for all or any part of the Avance Note; and

(b) to the extent not covered by clause (a) above, all proceeds of any or all of the foregoing Collateral. For purposes of this Agreement, the term "**proceeds**" includes whatever is receivable or received when Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary.

SECTION 3. Security for Obligations. This Agreement secures, and the Collateral is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise, of all obligations and liabilities of every nature of Grantor now or hereafter existing under or arising out of or in connection with the Cheerful Note and all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to Grantor, would accrue on such obligations), fees, expenses, indemnities or otherwise, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Secured Party as a preference, fraudulent transfer or otherwise, and all obligations of every nature of Grantor now or hereafter existing under this Agreement (the "**Secured Obligations**").

SECTION 4. Pledge and Delivery of Avance Note. The Avance Note shall be delivered to and held by or on behalf of Secured Party pursuant hereto and shall be in suitable form for transfer by delivery or, as applicable, shall be accompanied by Grantor's endorsement, where necessary, or duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Secured Party. Secured Party shall have the right, at any time in its discretion and without notice to Grantor, to transfer to or to register in the name of Secured Party or any of its nominees all or any part of the Avance Note, subject only to the revocable rights specified in Section 7(a).

SECTION 5. Representations and Warranties. Grantor represents and warrants as follows:

(a) Validity and Enforceability of Avance Note. The Avance Note has been duly authorized, validly issued and delivered and is the legal, valid and binding obligation of the maker thereof and is not in default.

(b) Ownership of Avance Note. Except for the security interest assigned and created by this Agreement, Grantor is the sole legal and beneficial owner of the entire right, title and interest in and to the Collateral, free and clear of any lien.

(c) Perfection. The pledge of the Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Collateral, securing the payment of the Secured Obligations.

SECTION 6. Further Assurances. Grantor agrees that from time to time, at the expense of Grantor, Grantor will promptly execute and deliver all further instruments and documents and take all further action that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest assigned or granted or purported to be assigned or granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to the Collateral.

SECTION 7. Amounts Payable in Respect of the Avance Note.

(a) Cheerful Note Not in Default. So long as no Event of Default shall have occurred and be continuing with respect to the Cheerful Note:

(i) Grantor shall be entitled to receive and retain, and to utilize free and clear of the lien of this Agreement, all principal and interest paid in respect of the Collateral; and

(ii) Secured Party shall promptly execute and deliver (or cause to be executed and delivered) to Grantor all such instruments as Grantor may from time to time reasonably request for the purpose of enabling Grantor to receive principal or interest payments which it is authorized to receive and retain pursuant to paragraph (i) above.

(b) Cheerful Note in Default. Upon the occurrence and during the continuation of an Event of Default with respect to the Cheerful Note:

(i) all rights of Grantor to receive the principal and interest payments which it would otherwise be authorized to receive and retain pursuant to Section 7(a)(i) shall cease, and all such rights shall thereupon become vested in Secured Party who shall thereupon have the sole right to receive and hold as Collateral such principal and interest payments; and

(ii) all principal and interest payments which are received by Grantor contrary to the provisions of paragraph (i) of this Section 7(b) shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of Grantor and shall be forthwith be paid over to Secured Party as Collateral in the same form as so received (with any necessary endorsements).

(c) In order to permit Secured Party to receive all principal and interest payments which it may be entitled to receive under Section 7(b)(i), (1) Pledgor shall promptly execute and deliver (or cause to be executed and delivered) to Secured Party all instruments as Secured Party may from time to time reasonably request and (2) without limiting the effect of the immediately preceding clause (1), Grantor hereby grants to Secured Party authority to exercise all other rights, powers, privileges and remedies to which a holder of the Collateral would be entitled, which authority shall be effective, automatically and without the necessity of any action (including any transfer of the Avance Note on the record books of the maker thereof) by any other person (including the maker of the Avance Note or any officer or agent thereof), upon the occurrence of an Event of Default and which authority shall only terminate upon the payment in full of the Secured Obligations.

SECTION 8. Secured Party Appointed Attorney-in-Fact. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, Secured Party or otherwise, from time to time in Secured Party's discretion to take any action and to execute any instrument that Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement., including without limitation:

(a) to receive, endorse and collect any instruments made payable to Grantor representing principal or interest payments or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same; and

(b) to file any claims or take any action or institute any proceedings that Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Secured Party with respect to any of the Collateral.

SECTION 9. Secured Party May Perform. If Grantor fails to perform any agreement contained herein, Secured Party may itself perform, or cause performance of, such agreement, and the expenses of Secured Party incurred in connection therewith shall be payable by Grantor under Section 13.

SECTION 10. Standard of Care. The powers conferred on Secured Party hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Collateral in its possession and the accounting for Collateral actually received by it hereunder, Secured Party shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to

any Collateral. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which Secured Party accords its own property.

SECTION 11. Remedies. If any default under the Cheerful Note shall have occurred and be continuing, Secured Party may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "Code") (whether or not the Code applies to the affected Collateral), exercise any and all rights and remedies of Grantor in respect of the Collateral, including without limitation any and all rights of Grantor to demand or otherwise require payment of any amount under, or performance of any provision of, such contracts, and without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of Secured Party's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Secured Party may deem commercially reasonable.

SECTION 12. Application of Proceeds. Except as expressly provided elsewhere in this Agreement, all proceeds received by Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of Secured Party, be held by Secured Party as collateral for, or be applied in full or in part by Secured Party against, the Secured Obligations in such order as Secured Party shall elect.

SECTION 13. Indemnity and Expenses.

(a) Grantor agrees to indemnify Secured Party from and against any and all claims, losses and liabilities in any way relating to, growing out of or resulting from this Agreement and the transactions contemplated hereby (including, without limitation, enforcement of this Agreement), except to the extent such claims, losses or liabilities result solely from Secured Party's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(b) Grantor shall pay to Secured Party upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral, (iii) the exercise or enforcement of any of the rights of Secured Party hereunder, or (iv) the failure by Grantor to perform or observe any of the provisions hereof.

SECTION 14. Failure or Indulgence Not Waiver; Remedies Cumulative.

No failure or delay on the part of Secured Party in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such

power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SECTION 15. Governing Law; Terms. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF CALIFORNIA AND THE UNITED STATES OF AMERICA. Unless otherwise defined herein, terms used in Articles 8 and 9 of the Uniform Commercial Code in the State of California are used herein as therein defined.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Grantor and Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

CHEERFUL INTERNATIONAL CORPORATION

By: *Sandy Liang*
Title: *Vice President*

Notice Address: P.O. Box 549
La Verne, California 91750-0549

PETER CHANG
By SANDY LIANG, as Attorney-in-Fact

Peter Chang by Sandy Liang as attorney in fact

Notice Address: P.O. Box 549
La Verne, California 91750-0549

STATE OF CALIFORNIA)
) SS.:
COUNTY OF Los Angeles)

On July 14, 1998, before me, MIKE MCGAVRAN, a Notary Public in and for said State, personally appeared SANDY LIANG, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) ~~is~~ are subscribed to the within instrument and acknowledged to me that he ~~she~~ they executed the same in his ~~her~~ their authorized capacity(ies), and that by his ~~her~~ their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature

Mike McGavran

(Seal)



**SCHEDULE A
TO AMENDED AND RESTATED TRADEMARK SECURITY AGREEMENT**

THE TRADEMARKS

All trademarks in which Cheerful International Corporation has rights, including, without limitation, the following:

<u>Registered Mark</u>	<u>Registration Number</u>	<u>Registration Date</u>
BOCOO	1,703,416	07/28/92
CABAZON	2,001,580	09/17/96
INDICATIONS	1,567,141	11/21/89
INDICATIONS	1,758,464	03/16/93
JASON & WOOLEY	1,796,427	10/05/93
L (word and design)	1,945,555	01/02/96
L (word and design)	1,955,956	02/13/96
LAVON (stylized)	1,654,364	08/20/91
PACIFIC COVE	1,853,135	09/06/94

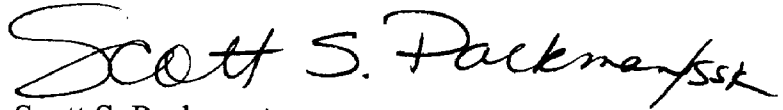
<u>Marks for which Registration Is Being Sought</u>	<u>Serial Number</u>	<u>Filing Date</u>
CHAYER	75/344,826	08/19/97
RIVERWOODS	75/480,401	05/06/98

Unregistered Marks

1721 SPORT CLUB
ACTIVE STREET
ANTARCTIC FLEECE
BOCOO-LADY
CHEERTRON
COVE
DESTINATION SURF
DESTINATION SURF (word and design)
HIGH VOLTAGE
JASON
LAVON KIDS
LAVONSPORT
LAVON OUTERWEAR
LAVON TOO
LAVON SPORT
LAVON SPORTSWEAR
LOCKER ROOM STUFF
MEADOWLARK
MILANO SPORT
MINI LAVON
MUTUAL FUND
NICHOLAS IMPORTS
P.C. BASICS
SUMMERS
TROPHE
SUNTERRA
VOLTAGE
VOLTAGE BY LAVON
VOLTAGE BY LAVON (word and design)
WESTBOUND SPORT
WOOLEY

Please feel free to call me with any questions. Thank you for your assistance.

Very truly yours,

A handwritten signature in black ink that reads "Scott S. Packman" followed by a small "SSK" at the end.

Scott S. Packman*
for O'MELVENY & MYERS LLP

SSP:ssk

Enclosures

cc: Stephanie S. Kann (w/encls.)

* Licensed to practice in Florida and New York

CC1:382453.1