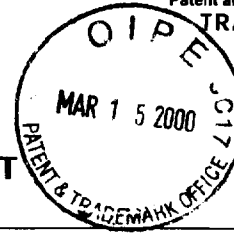


04-14-2000



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3-15-00

**RECORDATION FORM COVER SHEET  
TRADEMARKS ONLY**

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

**Submission Type**

- New
- Resubmission (Non-Recordation)  
Document ID #
- 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  
**04/30/98**

**Conveying Party**

Mark if additional names of conveying parties attached

Name **DUFFS International, Inc.** Execution Date  
Month Day Year

Formerly

- Individual  General Partnership  Limited Partnership  Corporation  Association
- Other
- Citizenship/State of Incorporation/Organization **Delaware**

**Receiving Party**

Mark if additional names of receiving parties attached

Name **Okewood Limited**

DBA/AKA/TA

Composed of

Address (line 1) **3A Fourth Floor, Great George Building**

Address (line 2) **27 Patterson Street**

Address (line 3) **Causeway Bay** **Hong Kong**

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

04/13/2000 DCOATES 00000110 1907434

FOR OFFICE USE ONLY

01 FC:481 40.00 UP

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

**TRADEMARK**  
REEL: 002051 FRAME: 0370

**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)		
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="1907434"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**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:

#

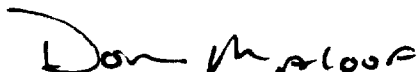
Authorization to charge additional fees:

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.



Name of Person Signing



Signature

Date Signed

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT (hereinafter referred to as the "Security Agreement", or as the "Agreement") is made this 29<sup>th</sup> day of FEBRUARY, 2000, to be effective April 30, 1998 (the "Effective Date") by and between OKEWOOD, LIMITED, a corporation duly incorporated (hereinafter referred to as "Secured Creditor"), and DuFFS INTERNATIONAL INC., a corporation duly incorporated and formerly known as "GFA Importing Inc." (hereinafter referred to as "Buyer"), with regard to the following facts:

### RECITALS:

A. WHEREAS, Buyer and The Chase Company, Inc., a corporation duly incorporated (hereinafter referred to as "Seller"), entered into that certain, written Agreement (hereinafter referred to as the "Purchase Agreement"), dated April 30, 1998, whereby Seller sold to Buyer, and Buyer purchased from Seller, certain assets specified therein, including without limitation, the following trademarks (hereinafter jointly, severally, and collectively referred to as the "Marks"): DuFFS; Section 88 Project; KCK; and Kicks.

B. WHEREAS, pursuant to the certain, written "Portfolio Debt Obligation - Amended, Restated And Consolidated Promissory Note" (hereinafter referred to as the "Note") dated September 18, 1997, in the original principal amount of US\$750,000.00, made payable by Seller to Secured Creditor, Seller consolidated and agreed to pay Secured Creditor all amounts due under four (4) separate obligations (the "Old Debts"), which were previously payable by Seller, respectively, to (i) Tai-Pac Financial Services, Inc. ("Tai-Pac"), (ii) Chinook Trading Company, Inc., (iii) Stanley E. Foster and Pauline M. Foster as trustees U.T.D. July 31, 1981 ("Foster"), and (iv) Goldstar, Ltd. ("Goldstar").

C. WHEREAS, as more fully set forth in the Note, the rights to receive the payments under each of said Old Debts had previously been transferred and assigned to Secured Creditor, along with the security agreements and security interests in Seller's assets (including, without limitation the general intangibles constituting the Marks) securing said payment rights under the Old Debts.

D. WHEREAS, in accordance with the assignment to Secured Creditor of the Old Debt, the security interest of Tai-Pac in the assets of Seller was formally assigned to Secured Creditor by Tai-Pac pursuant to that certain, written Uniform Commercial Code-Form UCC-2, executed by Tai-Pac in favor of Secured Creditor, and filed in the California Secretary of State's office as Document No. 97274C0115, dated as filed September 30, 1997.

E. WHEREAS, also in accordance with the assignment to Secured Creditor of the Old Debt, the security interest of Foster in the assets of Seller was formally assigned to Secured Creditor by Foster pursuant to that certain, written Uniform Commercial Code-Form UCC-2, executed by Foster in favor of Secured Creditor, and filed in the California Secretary of State's office as Document No. 97274C0477, dated as filed October 1, 1997.

F. WHEREAS, as of the date of this Agreement, Goldstar has been paid in full all amounts owed to Goldstar by Seller, but has inadvertently not yet formally terminated the security interest of Goldstar in the assets of Seller by filing in the California Secretary of State's office the appropriate Uniform Commercial Code-Form UCC-2 Release, to be executed by Goldstar, in order to release the security interest perfected by that certain, written Uniform Commercial Code-Form UCC-1, (hereinafter referred to as the "Goldstar UCC-1") executed by Seller in favor of Goldstar, and filed in the California Secretary of State's office as Document No. 9705860764, dated as filed February 27, 1997.

G. WHEREAS, pursuant to that certain, written Intercreditor Agreement (hereinafter sometimes referred to as the "First Intercreditor Agreement"), dated September 18, 1997, by and between Secured Creditor and Scripps Bank ("Scripps"), as part of the transaction by which Scripps loaned money to Seller, Scripps and Secured Creditor agreed that the financial obligations of Seller owed to each of Seller and Scripps, respectively, would have the same relative priority of security interests in the Collateral as defined under the First Intercreditor Agreement.

H. WHEREAS, also in accordance with the First Intercreditor Agreement, and in order that Secured Creditor would maintain a first priority interest in the Marks, Scripps executed partial release of security whereby Scripps released the security interest of Scripps only in the general intangibles of Seller (including, by implication, the Marks), pursuant to that certain, written Uniform Commercial Code-Form UCC-2, executed by Scripps in favor of Seller, and filed in the California Secretary of State's office as Document No. 97267C0287, dated as filed September 22, 1997. However, as of the date of this Agreement, an obligation of Seller to Scripps remains outstanding and is secured by a security interest perfected by that certain, written Uniform Commercial Code-Form UCC-1, (hereinafter referred to as the "Scripps UCC-1") executed by Seller in favor of Scripps, and filed in the California Secretary of State's office as Document No. 9628960856, dated as filed October 9, 1996.

I. WHEREAS, to accommodate certain matters of Seller, Secured Creditor partially released Secured Creditor's interest in the "intellectual property" of Seller pursuant to that certain, written Uniform Commercial Code-Form UCC-2, executed by Secured Creditor in favor of Seller, and filed in the California Secretary of State's office as Document No. 97274C0425, dated as filed October 14, 1997.

J. WHEREAS, to subsequently reestablish Secured Creditor's interest in Seller's general intangibles including trademarks, Seller granted Secured Creditor a secured interest in Seller's general intangibles including trademarks (which trademarks constitute the Marks), as evidenced by and pursuant to that certain, written Uniform Commercial Code-Form UCC-1, (hereinafter referred to as the "April 15, 1998 UCC-1") executed by Seller in favor of Secured Creditor, and filed in the California Secretary of State's office as Document No. 9810561010, dated as filed April 15, 1998.

K. WHEREAS, pursuant to the Purchase Agreement, dated April 30, 1998 (as referenced in Recital "A", above), Seller sold to Buyer the Marks subject to the Security Interest of Secured Creditor in the Marks.

L. WHEREAS, pursuant to that certain, written letter (the "Letter"), dated April 29, 1998, from Secured Creditor to Seller, Secured Creditor consented to the transfer by Seller to Buyer of all of the intellectual property, including the Marks, pursuant to the Purchase Agreement, subject to the condition that the secured interest of Secured Creditor in the intellectual property, including the Marks, remained in full force and effect.

M. WHEREAS, pursuant to handwritten notes, dated April 30, 1998, on said Letter, Buyer consented to the condition that, after the consummation of the Purchase Agreement, the security interest of Secured Creditor in the intellectual property, including the Marks, was to remain in full force and effect.

N. WHEREAS, Genfoot America, Inc. ("GFA"), Buyer, and Republic Business Credit Corporation (the "Bank"), (which Bank is the successor in interest to Citizens Bank of Massachusetts, which is the successor of State Street Bank and Trust Company) are in the process of refinancing the credit facilities of GFA and Buyer, and are proposing to enter into a Second Amended and Restated Credit Agreement (the "Credit Agreement"), to be dated sometime early in the year 2000.

O. WHEREAS, in conjunction with the Credit Agreement, Secured Creditor has been asked to enter into that certain, written "Amended and Restated Subordination and Intercreditor Agreement" (hereinafter the "Amended Intercreditor Agreement"), to be of even date with the Credit Agreement, (i) by which the obligations of Buyer to Secured Creditor are to be subordinated to the obligations of Buyer to Bank, and (ii) in which it is stated that the obligation of Buyer to Secured Creditor under the Note is secured by a first priority security interest in the Marks of Buyer that is and shall remain superior to any and all interests of Bank in the Marks, despite said subordination of (a) Buyer's obligations to Secured Creditor, to (b) Buyer's obligations to Bank.

P. WHEREAS, in order to perfect Secured Creditor's security interest in the Marks, all of which are now in the name of Buyer, it is necessary for Secured Creditor to file a UCC-1 and various other documents listing (i) Buyer as the debtor, (ii) Secured Creditor as the secured party, and (iii) said Marks as the secured assets.

Q. WHEREAS, accordingly, Buyer desires to grant to Secured Creditor a security interest in the Marks, as more fully set forth herein.

### AGREEMENT:

NOW, THEREFORE, in consideration of the terms, covenants, and conditions contained in this Security Agreement, and for such other consideration the receipt of which is hereby acknowledged, and upon the terms and conditions hereinafter set forth, the parties hereto mutually agree as follows:

1. Recitals Incorporated. The recitals set forth above are incorporated into this Agreement, as if fully set forth herein, are agreed to by the parties hereto, and constitute a material part hereof.

2. Acknowledgment And Agreement as to Existing Security Interest. In accordance with the provisions of the Letter referenced in Recital J above, Secured Creditor and Buyer each hereby acknowledges and agrees as follows:

2.1 Buyer's Subjected Interest. Buyer acquired the general intangibles of Seller, including the Marks, subject to the security interest of Secured Creditor, which security interest was perfected pursuant to the April 15, 1998 UCC-1;

2.2 Continuation. Buyer shall and hereby does continue said security interest of Secured Creditor in Buyer's general intangibles, including, without limitation, the Marks, to secure payment of the Note;

2.3 First Priority. The security interest of Secured Creditor in Buyer's Marks, as evidenced by the April 15 1998 UCC-1, is a first priority security interest in said assets, subject only to permitted liens under the Amended Intercreditor Agreement, none of which permitted liens are superior to the security interest of Secured Creditor in Buyer's Marks; and

2.4 Enforcement Pursuant to this Security Agreement. As between Buyer and Secured Creditor, enforcement of said security interest of Secured Creditor, and of the April 15, 1998 UCC-1, and of the security interest hereby granted, shall be governed by this Security Agreement, as well as by the terms and conditions of the Note (and the Pledges referenced in the Note), provided that in the event of any conflict, the terms and provisions of this Security Agreement shall supersede, govern and control.

3. Creation of Security Interest.

3.1 Creation; "Marks". Buyer hereby grants to Secured Creditor a security interest in (i) the Marks as described in Recital "A" of this Agreement (which Marks are jointly, severally, and collectively hereinafter sometimes referred to as the "Marks"), (ii) all rights and privileges relative to or pertaining to the Marks, (iii) all renewals of the Marks, and (iv) all securities, guaranties, warranties, indemnity agreements, insurance policies, and other agreements pertaining to the Marks.

3.2 Collateral Defined. Such Marks assets, properties, and rights shall be hereinafter referred to as "Collateral". Said Collateral shall include any proceeds from the sale or insurance of such items and any additions thereto or substitutions therefor.

4. Obligations Secured. The security interest created by this Security Agreement is granted to secure (i) Seller's prompt and timely performance of, and compliance with, all of the terms and conditions of the Note executed by Seller in favor of Secured Creditor, and of all "Pledges" as defined and referenced in said Note, and (ii) Buyer's prompt and timely performance of, and compliance with, all of the terms and conditions of this Security Agreement executed by Buyer in favor of Secured Creditor.

5. Obligations of Buyer.

5.1 Timely Performance. Buyer shall promptly and timely perform when due all obligations of Buyer under this Security Agreement.

5.2 Furnish Information. Buyer shall furnish Secured Creditor with all such information concerning the Collateral as Secured Creditor may from time to time reasonably request. Secured Creditor agrees to keep all such information confidential at all times.

5.3 Use of Collateral. The Collateral will at all times hereafter continue to be used by Buyer exclusively for business purposes, in Buyer's reasonable discretion.

5.4 Execution of UCC-1. Buyer will execute any and all further agreements, assignments, documents and Uniform Commercial Code Financing Statements that Secured Creditor may reasonably request from time to time in order to perfect or continue the security interest of Secured Creditor in the Collateral or otherwise carry out the purposes and intent of this Security Agreement. Such documents shall include, without limitation, any and all documents necessary to record the security interest against the Marks at the U.S. Patent and Trademark Office.

5.5 Attorney Fees. In the event attorneys may be employed by Secured Creditor to enforce any of the terms hereof, or to protect, collect or enforce any rights in the Collateral, Buyer will pay all reasonable costs, expenses, and reasonable attorneys' fees as incurred by Secured Creditor in connection therewith, and said amount shall be secured hereby and shall be immediately repayable by Buyer to Secured Creditor upon demand.

5.6 Indemnification. Buyer shall indemnify, defend, and hold harmless Secured Creditor against loss of any kind, including reasonable attorneys' fees, caused to Secured Creditor by reason of Secured Creditor's interest in the Collateral, except for Secured Creditor's gross negligence or willful misconduct.

5.7 Conduct of Business. Buyer shall conduct its business in Buyer's reasonable business judgment.

5.8 Preservation of Rights. Buyer shall preserve all rights, privileges, and franchises held by Buyer's business in the Collateral, including, without limitation, the Marks.

5.9 Payment of Taxes. Buyer shall pay all taxes when due, unless contested in good faith and in accordance with applicable law.

5.10 Notice of Litigation. Buyer shall give Secured Creditor notice of any litigation that would have a material adverse effect on the business of Buyer, or on the Collateral.

5.11 Notification of Changes. Buyer shall not change the name or place of Buyer's chief executive office, or use a fictitious business name in Buyer's business, without first notifying Secured Creditor in writing.

5.12 Generally, No Transfer Without Consent. Buyer shall not sell, transfer, assign, create or permit to exist any license, right, lien, or security interest in the Collateral in favor of anyone other than Secured Creditor, unless Secured Creditor first consents thereto in writing, except for the following, which shall not require Secured Creditor's consent: (i) liens to Bank pursuant to the Amended Intercreditor Agreement; and (ii) license, rights, or liens in the ordinary course of business.

5.13 No Liens. Buyer shall not permit liens on the Collateral.

5.14 Proper Use of Collateral. Buyer shall not use the Collateral (i) for any unlawful purpose, or (ii) in any way that would cause the Marks to be abandoned or fall into disrepute, except (if at all) where no material adverse affect to the value of the Marks occurs.

5.15 Necessary Acts. Buyer shall perform all acts necessary to maintain, preserve, and protect the Collateral, including, without limitation, protecting against, and commencing legal action to prevent, any and all infringements against the Marks.

5.16 Notification of Adverse Effects. Buyer shall notify Secured Creditor promptly in writing of any default, potential default, infringement, dispute, or any development that might have a material adverse effect on the Collateral.

5.17 Reports. Buyer shall furnish Secured Creditor with any reports relating to the Collateral at Secured Creditor's reasonable request.

6. Warranties and Representations of Buyer. Buyer hereby warrants and represents as follows:

6.1 Organization. Buyer is a duly organized, validly existing, and in good standing under the laws of the jurisdiction of Buyer's organization, and has all necessary authority to conduct Buyer's business wherever said business is conducted, except to the extent of no material adverse effects on the Collateral or the obligations of Buyer hereunder.

6.2 Execution Authorized and Binding. Buyer has been authorized to execute and deliver this Security Agreement. This Security Agreement is a valid and binding obligation of Buyer.

6.3 Agreement Creates First Priority Security Interest. This Security Agreement (i) creates a perfected, first priority security interest in the Marks, subject to any other security interest to which Secured Creditor subordinates in writing, enforceable against the Collateral in which Buyer now has rights, and (ii) will create a perfected, first priority security interest, subject only to the security interest of the Bank that exists as of the date hereof, and subject to any other security interest to which Secured Creditor subordinates in writing, and subject but not subordinate to permitted liens under the Amended Intercreditor Agreement, enforceable against the Collateral in which Buyer later acquires rights, when Buyer acquires those rights.



6.4 No Breaches or Liens. Neither the execution and delivery of this Security Agreement, nor the taking of any action in compliance with this Security Agreement, will (i) violate or breach any law, regulation, rule, order, or judicial action binding on Buyer, any agreement to which Buyer is a party, or Buyer's articles of incorporation or bylaws, or Buyer's charter documents, as applicable; or (ii) result in the creation of a lien against the Collateral except that created by this Security Agreement.

6.5 No Defaults. No default or potential default exists with regard to this Security Agreement, and/or, to the best actual knowledge of Buyer, the Note.

6.6 Schedule of Information. With regard to the following:

6.6.1 The location of Buyer's chief executive office is 1281 Liberty Way, Vista, California 92083, Telephone: (760) 599-6995, Fax: (760) 599-6902;

6.6.2 Buyer's mailing address is 1281 Liberty Way, Vista, California 92083;

6.6.3 All the names under which Buyer has conducted its business are (i) Buyer's current name, and (ii) "GFA Importing Inc.";

6.6.4 There are no liens or adverse claims to which the Collateral is subject, except (i) junior liens to Bank pursuant to the Amended Intercreditor Agreement, (ii) the junior judgment lien of I.W. Trading Co., Ltd., a Korean corporation ("IWT"), filed in the case of I.W. Trading Co., Ltd. v. The Chase Company, Inc., San Diego California Superior Court (North County) Case Number N75820, notice of which Judgment Lien has been filed in the California Secretary of State's Office on June 14, 1999, as document number 9917360651, (iii) liens in the ordinary course of business, and (iv) liens set forth in this Agreement;

6.6.5 Except as set forth in this Security Agreement, there are no financing statements, except those naming Secured Creditor, in which Buyer is the debtor, and which cover or pertain to the Collateral.

6.7 Notice of Changes. Buyer will notify Secured Creditor in writing before any change occurs in any of the above information listed in Section 6.6 of this Agreement.

6.8 Title and Possession. Buyer owns and has possession of the Collateral, subject only to those liens and adverse claims identified in Section 6.6.

6.9 PTO Registration Number. The current United States Patent and Trademark Office registration number for the "DuFFS" Mark is 1,907,434.

## 7. Acts Constituting Default.

7.1 "Default" Defined. For purposes of this Security Agreement, the term default shall mean the occurrence of any of the following events:

7.1.1 Failure of Seller to Pay Note. Failure by Seller to make any payment under the Note when due;

7.1.2 Failure of Seller to Pay Secured Obligation. Failure by Seller to make timely payment of any obligation or indebtedness secured by this Security Agreement;

7.1.3 Failure of Buyer to Pay Secured Obligation. Failure by Buyer to make timely payment of any obligation or indebtedness arising as an obligation of Buyer under this Security Agreement, and secured by this Security Agreement;

7.1.4 Failure to Perform or Comply with Note. Failure by Seller to perform or comply with any of the terms and conditions of the Note, or of the Pledges referenced and defined in the Note;

7.1.5 Failure to Perform or Comply with Agreement. Failure by Buyer to perform or comply with any of the terms and conditions of this Security Agreement;

7.1.6 Insolvency Proceedings of Seller. A general assignment by Seller for the benefit of its creditors or the filing of any proceeding by or against Seller under the federal Bankruptcy Act or any state insolvency statute, provided that, to the extent not in conflict with the Note or the Pledges referenced and defined in the Note, any such involuntary filing or proceeding against Seller shall not constitute a default hereunder if the same is discharged or dismissed by Seller within sixty (60) days from the date of the filing thereof;

7.1.7 Insolvency Proceedings of Buyer. A general assignment by Buyer for the benefit of its creditors or the filing of any proceeding by or against Buyer under the federal Bankruptcy Act or any state insolvency statute, provided that any such involuntary filing or proceeding against Buyer shall not constitute a default hereunder if the same is discharged or dismissed by Buyer within sixty (60) days from the date of the filing thereof;

7.1.8 Failure to Furnish Information. Failure by Buyer to furnish Secured Creditor with information concerning the Collateral as Secured Creditor may from time to time reasonably request;

7.1.9 Failure to Take Necessary Acts. Failure by Buyer to execute any and all further agreements, assignments, documents and Uniform Commercial Code Financing Statements, that Secured Creditor may reasonably request from time to time in order to perfect or continue the security interest of Secured Creditor in the Collateral or otherwise carry out the purposes and intent of this Security Agreement;

7.1.10 Defaults in Other Documents. Any event of default or breach as may be defined in the Note, or in the Pledges referenced and defined in the Note;

7.1.11 Breach of Other Documents. Any material breach by Seller of the Note, or of the Pledges referenced and defined in the Note;

7.1.12 False Statements. Any materially false warranty, representation, or statement, made by or on behalf of Buyer or with respect to this Security Agreement;

7.1.13 Attachment of Collateral. There is a seizure or attachment of, or a levy on, the Collateral, and such seizure or attachment is not discharged or dismissed within sixty (60) days from the date of the filing thereof;

7.1.14 Cessation of Operations or Insolvency. Seller and/or Buyer ceases operations, is dissolved, terminates its existence, does or fails to do anything that allows obligations to become due before their stated maturity, or becomes insolvent or unable to meet Seller's or Buyer's respective debts as they mature;

7.1.15 Impairment of Security Interest. If, for any reason, the security interest hereby granted by Buyer to Secured Creditor is impaired, removed, or becomes subordinate to any other lien, right, or security interest in the Collateral; or

7.1.16 Determination of Insecurity. Secured Creditor for any reason deems itself insecure with respect to the Note, the Collateral or the security interest hereby granted.

## 8. Secured Creditor's Remedies Upon Default.

8.1 Remedies. Upon the occurrence of any default, Secured Creditor shall have as Secured Creditor's remedies all of the following, which Secured Creditor may exercise at Secured Creditor's option, but all of which shall be subject to any and all restrictions imposed on Secured Creditor by the Amended Intercreditor Agreement between Secured Creditor and Bank:

8.1.1 Accelerate Indebtedness. Declare the entire indebtedness secured hereby to be immediately due and payable;

8.1.2 Take Possession of Collateral. Take possession of the Collateral;

8.1.3 Require Buyer to Assemble Collateral and Transfer Title. Require Buyer to (i) assemble the Collateral and deliver it to Secured Creditor at a place designated by Secured Creditor which is reasonably convenient to both parties, and (ii) execute any and all documents necessary to transfer title of the Collateral, including, without limitation, the Marks, to Secured Creditor. After the event of default, in the event that Buyer shall fail to take any such action requested by Secured Creditor, then Secured Creditor may, as attorney-in-fact for Buyer, take such action on behalf of Buyer, and Buyer hereby appoints Secured Creditor (or Secured Creditor's designee) as attorney-in-fact for the Buyer to execute any and all documents necessary to transfer to Secured Creditor title the Collateral, including, without limitation, the Marks;

8.1.4 Dispose of Collateral. Sell or otherwise dispose of the Collateral and apply all sums received or collected therefrom first to the payment of the costs and expenses incurred by Secured Creditor in preserving and enforcing Secured Creditor's rights, including but not limited to reasonable attorneys' fees; the balance of any such sums shall be applied to the

indebtedness secured hereby in accordance with the terms of the Note (and the Pledges therein referenced); Secured Creditor shall account to Seller and Buyer for any surplus sums remaining thereafter;

8.1.5 Terminate Future Obligations. Terminate any obligation to make future advances, and terminate all obligations to Buyer;

8.1.6 Perform Buyer's Obligations. Perform any of Buyer's obligations under this Agreement for Buyer's account. Any money expended or obligations incurred in doing so, including reasonable attorneys' fees and interest at the highest rate permitted by law, will be charged to Buyer and added to the obligation secured by this Agreement;

8.1.7 Perform Seller's Obligations. Perform any of Seller's obligations under the Note and the Pledges therein defined for Seller's account. Any money expended or obligations incurred in doing so, including reasonable attorneys' fees and interest at the highest rate permitted by law, will be charged to Seller and added to the obligation secured by this Agreement;

8.1.8 Exercise Rights of Secured Creditor. Exercise all the rights and remedies of a secured party under the Uniform Commercial Code of California in any jurisdiction where enforcement is sought, whether in California or elsewhere.

8.2 Cumulative Remedies; No Waiver. All rights, powers and remedies of the Secured Creditor hereunder shall be cumulative and not alternative. No delay in exercise of any right or remedy shall constitute a waiver thereof.

8.3 Reasonable Notice of Sale. Secured Creditor's notice of the time and place of any public sale of the Collateral, or the time on or after which a private sale or other disposition of the Collateral will be made, is reasonable if sent to Buyer in the manner for giving notice set forth in this Security Agreement at least ten (10) days before the public or private sale.

8.4 Actions of Buyer Upon Default. Upon the occurrence of any default, Buyer is required to and shall take all of the following actions:

8.4.1 Assemble Collateral. Assemble the Collateral and make it and all records relating to it available to Secured Creditor as Secured Creditor directs;

8.4.2 Permit Entry. Allow Secured Creditor, Secured Creditor's representatives, and Secured Creditor's agents to enter the premises where all or any part of the Collateral, the records, or both may be, and remove any or all of it.

8.5 Waiver by Buyer. With regard to this Security Agreement and the Note, and except as otherwise provided in this Security Agreement, the Note, and the Pledges referenced in the Note, Buyer hereby waives diligence, demand, presentment, notice of non-payment, notice of non-performance, notice of default, protest and notice of protest, and waives the right to plead any and all statutes of limitations as a defense to any demand on the Note, or any guaranty thereof, or to any agreement to pay the sum to the full extent permissible by law.

9. Buyer to Obtain Release of Goldstar UCC-1. Buyer shall forthwith, diligently and in good faith, (i) take all action necessary to ensure that Goldstar executes the appropriate Uniform Commercial Code-Form UCC-2 Release, and files the same in the California Secretary of State's office in order to release the security interest perfected by the Goldstar UCC-1, and (ii) provide Secured Creditor with a certified copy of said UCC-2 Release stamped as filed by the California Secretary of State's office.

10. Necessary Acts. Each party to this Agreement agrees to perform any further acts and execute and deliver any further documents that may be reasonably necessary to carry out the provisions of this Agreement.

11. Termination. This Security Agreement shall terminate and the Collateral herein shall be released from the lien of Secured Creditor, upon the request of Buyer, at such time as the Seller's obligations under the Note (and the Pledges therein referenced) have been satisfied and discharged in full.

12. General Provisions.

12.1 Notices.

12.1.1 Requirements; Initial Notice Addresses. All notices, requests, demands or other communications under this Security Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or on the third day after mailing if mailed to the party to whom notice is to be given, by first class mail, registered or certified, postage prepaid, and properly addressed as follows:

TO SECURED CREDITOR:

OKEWOOD LIMITED  
3A 4<sup>TH</sup> Floor  
Great George Building  
27 Patterson Street  
Causeway Bay  
Hong Kong  
Attention: Steve Tien

COPY TO:

Steven K. Ewald, Esq.  
Marco F. Garavaglia, Esq.  
HARRIGAN RUFF,  
A PROFESSIONAL CORPORATION  
101 West Broadway, Suite 1600  
San Diego, California 92101

TO BUYER: DuFFS INTERNATIONAL, INC.  
1281 Liberty Way  
Vista, California 92083  
Attention: Richard Cook, C.A.

COPY TO: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12.1.2 Change of Notice Address. Any party may change its address for purposes of this Section by giving the other parties written notice of the new address in the manner set forth above.

12.2 Binding Effect; Assignment. This Security Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, successors and assigns; provided however, Buyer shall not assign any of Buyer's rights nor delegate any of Buyer's obligations under this Agreement without the prior written consent of Secured Creditor first had and obtained. Any purported assignment without such consent shall be null and void.

12.3 No Third Party Beneficiaries. There are no third party beneficiaries of or to this Agreement. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the parties to it and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

12.4 Entire Agreement. In conjunction with the Note (and the Pledges therein referenced), this Security Agreement sets forth the entire agreement between Buyer and Secured Creditor with respect to all matters herein, and supersedes all prior and contemporaneous security agreements, representations, and understandings of the parties. No supplement, amendment or modification of this Security Agreement shall be binding unless executed in writing by all of the parties.

12.5 No Waiver. No waiver of any of the provisions of this Security Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

12.6 Subject Headings. The subject headings of the Articles, Sections, and Paragraphs of this Security Agreement are included for purposes of convenience only, and shall not affect the construction or interpretation of any of the provisions of this Security Agreement.

12.7 Gender; Number. The use of the singular in this Agreement includes the plural and the use of one gender includes the others whenever the context thereof so requires.

12.8 Attorneys' Fees.

12.8.1 Award to Prevailing Party in Proceeding. In the event any attorney is employed by any party to this Security Agreement with regard to any legal action, arbitration or other proceeding brought by any party or parties to this Security Agreement for the enforcement of this Security Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Security Agreement, then each prevailing party, whether at trial or upon appeal, and in addition to any other relief to which the prevailing party may be granted, shall be entitled to recover from the losing party or losing parties, all costs, expenses, and a reasonable sum for attorney fees incurred by such prevailing party in bringing or defending such action, arbitration, or proceeding, and in enforcing any judgment granted therein, all of which costs, expenses and attorneys fees shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment.

12.8.2 Judgment or Order Shall Award. Any judgment or order entered in such matter shall contain a specific provision providing for the recovery by each prevailing party of attorney fees, costs, and expenses incurred in obtaining and enforcing such judgment. For purposes of this Paragraph, attorney fees shall include, without limitation, fees incurred in the following: post-judgment motions; contempt proceedings; garnishment, levy, and debtor and third party examinations; discovery; and bankruptcy litigation.

12.8.3 Survival of Termination. The provisions of this Section 12.8 shall survive the termination of this Security Agreement.

12.9 Governing Law. This Security Agreement shall be governed by, construed and enforced in accordance with the laws of the State of California.

12.10 Consent to Jurisdiction and Venue. The parties hereto agree that all actions or proceedings arising in connection with this Agreement shall be tried and litigated exclusively in the State and Federal courts located in the County of San Diego, State of California. The provisions of this Section are mandatory, and each party hereby waives any right to assert the doctrine of forum non conveniens or similar doctrine, or to object to such venue for disputes arising out of or in any way related to this Agreement.

12.11 Partial Invalidity. If any provision of this Security Agreement shall be for any reason invalid or unenforceable, the remaining provisions shall nevertheless continue in full force without being invalidated in any way.

12.12 Time. Time is of the essence of this Security Agreement.

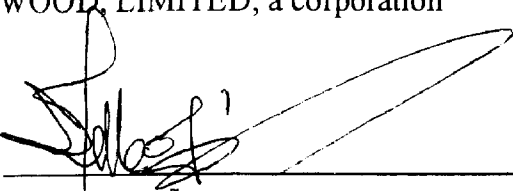
(THE BALANCE OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK.  
SIGNATURES COMMENCE ON THE FOLLOWING PAGE.)

IN WITNESS WHEREOF, the parties hereto have duly executed this SECURITY AGREEMENT on this 29th day of FEBRUARY, 2000, to be effective as of April 30, 1998 (the "Effective Date"), by which Buyer grants Secured Creditor a security interest in the Collateral, including, without limitation, the Marks, to secure payment of the Note made payable to Secured Creditor by The Chase Company, Inc.

**SECURED CREDITOR:**

OKEWOOD, LIMITED, a corporation

By: \_\_\_\_\_



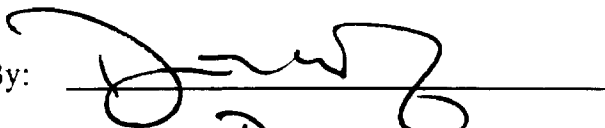
Print Name: STEVE CHENG TIEN

Title: PRESIDENT

**BUYER:**

DUFFS INTERNATIONAL INC., a corporation

By: \_\_\_\_\_



Print Name: DON MALOOC

Title: PRESIDENT