

05-25-2000



5-17-00

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OPR/FINANCE

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

Conveying Party

Mark if additional names of conveying parties attached

Name  Execution Date  
Month Day Year

Formerly

1290908

- 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/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City

State/Country

Zip Code

- Individual  General Partnership  Limited Partnership  Corporation  Association
- Other

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.)

Citizenship/State of Incorporation/Organization

FOR OFFICE USE ONLY

05/24/2000 ASCOTT 00000122 1290908

01 FC:481 40.00 OP  
02 FC:482 200.00 OP

**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" value="75/669,114"/>	<input type="text" value="75/708,898"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

<input type="text" value="1,290,908"/>	<input type="text" value="2,094,016"/>	<input type="text" value="1,939,014"/>
<input type="text" value="0,223,090"/>	<input type="text" value="1,010,107"/>	<input type="text" value="1,959,936"/>
<input type="text" value="1,075,465"/>	<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

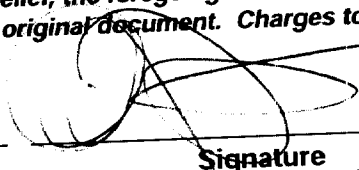
Deposit Account (Enter for payment by deposit account or if additional fees can be charged to the account.)  
Deposit Account Number: #

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.

Michael A. Herbst



5/10/2000  
Date Signed

Name of Person Signing

Signature

## AMENDMENT TO PATENT AND TRADEMARK SECURITY AGREEMENT

THIS AMENDMENT TO PATENT AND TRADEMARK SECURITY AGREEMENT is entered into as of April 4, 2000 ("Effective Date") by THE DERBY CYCLE CORPORATION, a Delaware corporation with a mailing address of 22710 72<sup>nd</sup> Avenue South, Kent, Washington 98032 (the "Debtor") in favor of CHASE MANHATTAN INTERNATIONAL LIMITED, in its capacity as Security Agent for itself and for the Secured Beneficiaries (as that term is defined below), with a mailing address of 125 London Wall, London, EC2Y 5AJ (the "Secured Party") with respect to the following facts:

A. Debtor granted to the Secured Party, by Patent and Trademark Security Agreement executed and delivered on or about May 12, 1998 (as amended from time to time, the "Patent and Trademark Security Agreement"), a security interest in all of its patents, trademarks, licenses and other intellectual property, then or thereafter acquired, wherever located.

B. Debtor and Secured Party and the other parties thereto wish to amend the Patent and Trademark Security Agreement to assure continued attachment and perfection of the Secured Party's security interest with respect to the Debtor's trademarks and service marks.

C. Each capitalized term used but not defined in this Amendment shall have the meaning assigned to it by the Patent and Trademark Security Agreement.

NOW, THEREFORE, in consideration of the premises, the Debtor and the Secured Party hereby agree as follows:

1. Grant of Security Interest. In addition to the pledge and grant of security interests in and to the property described in Section 1 of the Patent and Trademark Security Agreement, Debtor hereby pledges to the Secured Party for its benefit and for the ratable benefit of the Secured Beneficiaries, and hereby grants to the Secured Party for its benefit and the ratable benefit of the Secured Beneficiaries a security interest in, all of Debtor's right, title and interest in and to the following (the "Additional Trademark Collateral") whenever acquired:

(a) all trademarks, service marks (including any common law marks), trademark and service mark registrations, trade dress, interests in any trademarks or service marks under any and all license agreements, and trade dress, trade names and trademark or service mark applications for which registrations have been issued or applied for in the United States Patent and Trademark Office or elsewhere, all whether used in the United States or any state, territory or possession thereof, and throughout the world (but in the case of any of the foregoing rights and property arising under or subject to laws other than those of the United States or any state, territory or possession thereof (collectively, "foreign laws"), only if and to the extent that a security interest in or pledge of such rights and property is permitted under the applicable foreign laws); including, without limitation, the trademarks, service marks, applications and registrations listed on

Annex A attached hereto and made a part hereof (excluding each application in the United States to register any trademark, service mark or other mark prior to the filing under applicable law of a verified statement of use (or the equivalent) for such trademark or service mark) and (i) all renewals thereof, (ii) all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof but excluding attorneys' fees and court costs payable to Debtor in respect thereto, (iii) the right to sue for past, present and future infringements thereof, and (iv) all rights corresponding thereto throughout the world (all of the foregoing trademarks, trademark registrations, and interests under license agreements, trade names and applications, together with the items described in clauses (i) through (iv) in this subparagraph (a), are sometimes hereinafter individually and/or collectively referred to as the "Trademarks"; and

(b) the goodwill of such Debtor's business connected with the Trademarks.

Debtor or its predecessor(s) in interest may have, prior to the Effective Date, entered into various license agreements involving the Patent and Trademark Collateral which may contain provisions which either (i) require consent of the other party to the license agreement prior to granting the security interest hereunder, or (ii) prohibit or may be construed to prohibit the grant of the security interest, as provided herein. With respect to license agreements described in clause (ii), Secured Party shall not acquire a security interest in such license agreements, but only to the extent such provision prevents the grant of security interest hereunder. With respect to license agreements described in clause (i), Secured Party shall not acquire a security interest in such license agreements unless and until the required consent is obtained. For each such license agreement the loss of which would reasonably be expected to have a Material Adverse Effect, Debtor shall exert commercially reasonable efforts to obtain such consent in writing within 90 days from the date hereof and, upon request from Secured Party, shall provide Secured Party with a copy of such consent, and if such consent is withheld, Secured Party and Debtor shall cooperate and work together to determine an appropriate course of action with respect to such license agreement.

2. Confirmation of Collateral; Representations and Warranties. The Additional Collateral is included within the term "Patent and Trademark Collateral" in the Patent and Trademark Security Agreement. The Debtor hereby represents and warrants that there are no liens, claims or encumbrances on the Patent and Trademark Collateral granted in the Patent and Trademark Security Agreement as amended hereby other than the security interest in favor of the Secured Party and the Permitted Encumbrances. All representations and warranties contained in the Patent and Trademark Security Agreement remain true and correct on the date hereof.

3. Unconditional Obligation; No Defenses. The Patent and Trademark Security Agreement represents the unconditional, absolute, valid and binding obligation of the Debtor.

The Patent and Trademark Security Agreement is enforceable against the Debtor in accordance with its terms; except to the extent that the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws generally affecting creditor's rights, and by equitable principles (regardless of whether enforcement is sought at equity or in law) and principles of good faith and fair dealing. The Debtor has no claims or defenses against the Secured Party or any other person or entity that would or might affect (a) the validity or enforceability of any provisions of the Patent and Trademark Security Agreement or (b) the collectibility by the Secured Party of any of the Obligations.

4. Effect of this Amendment. Except as specifically amended above, the Patent and Trademark Security Agreement is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.


5. Governing Law; Terms. This Amendment shall be governed by, and construed in accordance with, the laws of the State of Washington and the federal laws of the United States of America.

6. Venue and Jurisdiction. Actions to enforce the Secured Party's rights herein may be brought in or transferred to, at the option of the Secured Party, the courts of general jurisdiction of the United Kingdom, the United States District Courts or the state courts of general jurisdiction sitting in King County, State of Washington, or in any jurisdiction where any Patent and Trademark Collateral is located. The Debtor consents to the non-exclusive jurisdiction of all such courts, and waives any and all defenses based on inconvenience of forum in all actions brought hereunder.

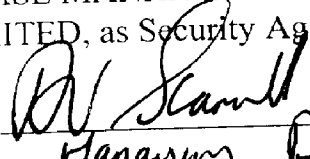
IN WITNESS WHEREOF, Debtor and Secured Party have caused this Amendment to be duly executed and delivered by their officers thereunto duly authorized as of the date first above written.

**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT. OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

THE DERBY CYCLE CORPORATION

By:   
Title: CFO

CHASE MANHATTAN INTERNATIONAL LIMITED, as Security Agent

By:   
Its: Managing Director

SECTION 1. Grant of Security Interest. Debtor hereby pledges to the Secured Party for its benefit and for the ratable benefit of the Secured Beneficiaries, and hereby grants to the Secured Party for its benefit and the ratable benefit of the Secured Beneficiaries a security interest in, all of Debtor's right, title and interest in and to the following (the "Patent and Trademark Collateral"):

(a) all trademarks, service marks (including any common law marks), trademark and service mark registrations, trade dress, interests in any trademarks or service marks under any and all license agreements, and trade dress, trade names and trademark or service mark applications for which registrations have been issued or applied for in the United States Patent and Trademark Office or elsewhere, all whether used in the United States or any state, territory or possession thereof, and throughout the world (but in the case of any of the foregoing rights and property arising under or subject to laws other than those of the United States or any state, territory or possession thereof (collectively, "foreign laws"), only if and to the extent that a security interest in or pledge of such rights and property is permitted under the applicable foreign laws); including, without limitation, the trademarks, service marks, applications and registrations listed on Annex A attached hereto and made a part hereof (excluding each application in the United States to register any trademark, service mark or other mark prior to the filing under applicable law of a verified statement of use (or the equivalent) for such trademark or service mark) and the license agreements (both as licensee or licensor) listed on Annex B attached hereto and made a part hereof and (i) all renewals thereof, (ii) all income, royalties, damages and payments now or hereafter due and/or payable under and with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof but excluding attorneys' fees and court costs payable to Debtor in respect thereto, (iii) the right to sue for past, present and future infringements thereof, and (iv) all rights corresponding thereto throughout the world (all of the foregoing trademarks, trademark registrations, and interests under license agreements, trade names and applications, together with the items described in clauses (i) through (iv) in this subparagraph (a), are sometimes hereinafter individually and/or collectively referred to as the "Trademarks"; and

(b) the goodwill of such Debtor's business connected with the Trademarks;  
and

(c) all patents and design patents, and like rights (which phrase shall herein including any reexamination, reissue, continuation, continuation-in-part, divisional and other related registration for patents or design patents or like rights), and all license agreements pertaining thereto, and all applications therefor which have been made with the United States Patent and Trademark Office or elsewhere (but in the case of any of the foregoing rights and property arising under or subject to foreign laws, only if and to the extent that a security interest in or pledge of such rights and property is permitted

ANNEX A

<b>NAME OF MARK</b>	<b>USPTO REGISTRATION OR SERIAL NO.</b>	<b>DATE OF REGISTRATION OR FILING</b>	<b>COMMENTS</b>
Alpina	1,290,908	Reg. 8/21/84	Class 12
Apex	2,094,016	Reg. 9/9/97	Class 12
Mountain Force	1,939,014	Reg. 11/28/95	Class 12
Moxie	75/669,114	Filed 3/26/99	Notice of Allowance issued 3/14/2000
Octane	75/708,898	Filed 5/18/99	Notice of Allowance issued 3/21/2000
"R" Raleigh and Design	0,223,090	Reg. 1/18/27	Class 12
Raleigh	1,010,107	Reg. 5/6/75	Class 12
SuperG (stylized)	1,959,936	Reg. 3/5/96	Class 12
Univega	1,075,465	Reg. 10/18/77	Class 12

or (iv) the Debtor shall become entitled to the benefit of any new patent or design patent, including any reexamination, reissue, continuation, continuation-in-part, divisional and other related registration for patents or design patents or applications therefor in the United States, then the provisions of Section 1 above shall automatically apply thereto and Debtor shall give to Secured Party prompt written notice thereof. Debtor agrees that from time to time, at the expense of Debtor, such Debtor shall promptly execute and deliver all further instruments and documents, and take all further action, that may be reasonably necessary or desirable, or that the Secured Party may reasonably request, in order to perfect and protect any security interest granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Patent and Trademark Collateral. Debtor hereby authorizes Secured Party to modify this Patent and Trademark Security Agreement by amending Annex A, Annex B, Annex C and Annex D to include any future trademarks, trademark registrations, trademark applications, trade names and license agreements which are Trademarks, and patents, design patents and like rights and applications therefor and license agreements which are Patents, under Section 1 above or under this Section 4 and to amend any UCC financing statement or similar instrument or record any further assignment for security interest or other document with the United States Patent and Trademark Office in order to give notice of such modification, and to file and/or record the same. Debtor shall not, without Secured Party's prior written consent, abandon or allow to lapse or restrict or allow to be restricted in scope any such new Patent or Trademarks or enter into any agreement, including, without limitation, any license agreement, which is inconsistent with such Debtor's obligations under this Patent and Trademark Security Agreement in each case if such actions or omissions (individually or collectively) could reasonably be expected to materially impair the value of the Patent and Trademark Collateral (including such new Patents and Trademarks) taken as a whole, or the benefits of this Patent and Trademark Security Agreement granted to Secured Party, including, without limitation, the priority or perfection of the security interest granted herein or the remedies of Secured Party hereunder. Debtor further agrees that it will not take any action, or permit any action to be taken by others subject to its control, including licensees, or fail to take any action, which could reasonably be expected to affect the validity or enforcement of the rights transferred to Secured Party for any such new Patents or Trademarks hereunder, and any such agreement or action if it shall take place shall be null and void and of no effect whatsoever.

**SECTION 5. Additional Representations and Warranties.** Debtor hereby represents, warrants, covenants and agrees that:

(a) Except as otherwise provided herein, in the Security Agreement or in the Facility Agreement, upon the delivery of this Patent and Trademark Security Agreement, it is and will continue to be the owner of all right, title and interest in the Patent and Trademark Collateral so long as the Patents and Trademarks shall continue in force, free from any lien or security interest in favor of any Person except for the security interest granted to Secured Party, the Patent Assignment for Security Purposes of the Patents hereunder and any Permitted Encumbrances.



(b) Subject to paragraph 1(d) above, it has the full right and power to grant the security interest made hereby in the Patent and Trademark Collateral and the Patent Assignment for Security Purposes.

(c) It has made no previous assignment, transfer or agreements in conflict herewith or constituting a present or future assignment, transfer, or encumbrance on any of the Patent and Trademark Collateral except for Permitted Disposals and except for license agreements to use such Patent and Trademark Collateral granted to licensees described on Annex B and D hereto or which constitute Permitted Disposals.

(d) No effective financing statement or other instrument similar in effect covering all or any part of the Patent and Trademark Collateral is on file in any recording office, except (i) such as may have been filed in favor of the Secured Party relating to this Patent and Trademark Security Agreement, and (ii) those which are necessary or customary to protect the rights of the beneficiaries of the Permitted Encumbrances.

(e) Subject to any limitation stated therein or in connection therewith, all information furnished to Secured Party concerning the Patent and Trademark Collateral and proceeds thereof, for the purpose of obtaining credit or an extension of credit, is, or will be at the time the same is furnished, accurate and correct in all material respects.

(f) To the best of such Debtor's knowledge and belief, no material infringement or unauthorized use is now being made of any of the Patents and Trademarks which could reasonably be expected to materially adversely affect the fair market value of the Patent and Trademark Collateral or the benefits of this Trademark Agreement granted to Secured Party, including, without limitation, the priority or perfection of the security interest granted herein or the remedies of Secured Party hereunder.

(g) This Patent and Trademark Security Agreement creates a valid and enforceable interest in the Patent and Trademark Collateral.

**SECTION 6. Royalties; Terms.** Debtor hereby agrees that any rights granted hereunder to Secured Party and its successors, transferees and assigns with respect to all Patent and Trademark Collateral as described above shall be worldwide (or to the full extent of Debtor's rights thereunder, if less than worldwide) and without any liability for royalties or other related charges from Secured Party to such Debtor. The term of the assignments of security interest granted herein shall extend until the earlier of (i) the expiration or termination of each of the Patents and Trademarks assigned hereunder (including renewals and extensions of the term thereof) or (ii) all Obligations have been paid in full (other than indemnities and other contingent obligations not then due and payable which survive payment of the Loans and

termination of the Facility Agreement) and the Facility Agreement has been terminated pursuant to the terms thereof.

SECTION 7. Lender's Right to Inspect. Secured Party shall have the right to inspect Debtor's premises and to examine Debtor's books, records and operations, to the extent and at the time or times provided in the Facility Agreement.

SECTION 8. Release of Security Interest.

(a) This Patent and Trademark Security Agreement is made for collateral purposes only. Upon payment in full of all Obligations (other than indemnities and other contingent obligations not then due and payable which survive payment of the Loans and termination of the Facility Agreement) and termination of the Facility Agreement pursuant to the terms thereof, Secured Party shall, at Debtor's sole cost and expense, execute and deliver to Debtor all termination statements, assignments and other instruments as may be necessary or proper to re-vest in the Debtor full unencumbered title to the Patent and Trademark Collateral, subject to any disposition thereof which may have been made by Secured Party pursuant hereto or pursuant to the Security Agreement.

(b) Upon any sale, assignment, lease or other disposition of all or any part of the Patent and Trademark Collateral permitted hereby or by the Security Agreement or Facility Agreement, or in connection with the sale, assignment, lease or other disposition of assets permitted hereby or by the Security Agreement or Facility Agreement, with application of the proceeds thereof made in accordance with the Facility Agreement, Secured Party acknowledges and agrees that the security interest in the Patent and Trademark Collateral granted hereby shall be released and that it shall execute and deliver to Debtor all termination statements, assignments and other documents and instruments as may be necessary or desirable to fully release the security interest in such Patent and Trademark Collateral granted hereby.

SECTION 9. Additional Covenants and Duties of Debtor.

(a) Debtor shall not (a) make, use, sell, offer for sale, import, grant any license under, lease, offer for lease, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Patent and Trademark Collateral, except for Permitted Disposals, or (b) create or permit to exist any lien, security interest, option or other charge or encumbrance upon or with respect to any of the Patent and Trademark Collateral, except for Permitted Encumbrances. Debtor shall have the duty (i) to prosecute diligently any trademark, patent and design patent application that is part of the Patents and Trademarks pending as of the date hereof or thereafter until all Obligations shall have been paid in full, (other than indemnities and other contingent obligations not then due and payable which survive payment of the Loans and

termination of the Facility Agreement) and the Facility Agreement shall have been terminated pursuant to the terms thereof (ii) to make application for registration of Patents and Trademarks, as appropriate, and (iii) to preserve and maintain all rights in trademark applications, trademarks, trade dress, ade names, interests under trademark license agreements and trademark registrations, patents, design patents, and applications that are part of the Patents and Trademarks, unless as to each of the preceding clauses (i), (ii) and (iii) the failure to do so (individually or collectively with all other such failures actually occurring) could not reasonably be expected to materially adversely affect the fair market value of the Patent and Trademark Collateral taken as a whole or the benefits of this Patent and Trademark Security Agreement granted to Secured Party, including, without limitation, the priority or perfection of the security interest granted herein or the remedies of Secured Party hereunder. Any expenses incurred in connection with such applications shall be borne by Debtor. Debtor agrees to retain experienced patent and trademark counsel selected in Debtor's reasonable discretion for the filing and prosecution of all such applications and other proceedings. Debtor shall not abandon any right to file a trademark application, any pending trademark application, any right to file a patent application, or any pending patent application without the consent of Secured Party if such abandonment (individually or together with all other abandonments actually made) would materially impair Secured Party's Patent and Trademark Collateral taken as a whole.

(b) Debtor agrees that at any time and from time to time, at the expense of Debtor, Debtor will promptly execute and deliver all further instruments and documents (including UCC-1 financing statements), and take all further action, that may be necessary or desirable, or that Secured Party may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Patent and Trademark Collateral. Debtor hereby authorizes Secured Party to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Patent and Trademark Collateral without the signature of Debtor where permitted by law.

(c) If Debtor fails to comply with any of the duties set forth in the preceding paragraphs (a) and (b), Secured Party may do so in Debtor's name to the extent permitted by law, but at Debtor's expense, and Debtor agrees to reimburse Secured Party in full for all expenses, including the reasonable fees and disbursements of counsel incurred by Secured Party in protecting, defending and maintaining the Patent & Trademark Collateral, which counsel may be the employee of Secured Party.

(d) In the event that Debtor shall fail to pay when due any fees required to be paid by it hereunder, or shall fail to discharge any lien or security interest prohibited hereby, or shall fail to comply with any other duty hereunder, Secured Party may, but shall not be required to, pay, satisfy, discharge or bond the same for the account of

Debtor, and all moneys so paid out shall be Obligations of Debtor repayable on demand, together with interest at the rate then applicable pursuant to the terms of the Facility Agreement.

SECTION 10. Right to Sue. Upon the occurrence and during the continuance of an Event of Default, Secured Party and its successors, transferees and assigns shall have the right, but shall in no way be obligated, to bring suit in its or their own name to enforce the Patents and Trademarks, and any licenses thereunder, and, if Secured Party or any such other party shall commence any such suit, Debtor shall, at the request of Secured Party or such other party, do any and all lawful acts and execute any and all proper documents required by Secured Party or such other party in aid of such enforcement and Debtor shall promptly, upon demand, reimburse and indemnify Secured Party or such other party for all costs and expenses incurred by Secured Party or such other party in the exercise of its or their rights under this Section 10.

SECTION 11. Waivers. No course of dealing among Debtor and Secured Party or any of their respective successors, transferees and assigns, nor any failure to exercise, nor any delay in exercising, on the part of Secured Party or any such other party, any right, power or privilege hereunder or under the Facility Agreement, the Facility Documents or the Security Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

SECTION 12. Secured Party Appointed Attorney-in-Fact. Debtor hereby irrevocably appoints the Secured Party the Debtor's attorney-in-fact, with full authority in the place and stead of Debtor and in the name of Debtor, the Secured Party or otherwise, from time to time following the occurrence and continuance of an Event of Default (except that, with respect only to subsection (d) below where necessary to prevent the impairment of the value of the Patent and Trademark Collateral, irrespective of whether an Event of Default has occurred), to take any action and to execute any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes of this Patent and Trademark Security Agreement, including, without limitation:

(a) To ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect to any Patent and Trademark Collateral;

(b) To receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) above;

(c) To file any claims or take any action or institute any proceedings which the Secured Party may deem necessary or desirable for the collection of any of the Patent

and Trademark Collateral or otherwise to enforce the rights of the Secured Party with respect to any of the Patent and Trademark Collateral;

(d) To sign or endorse all writings, and take all acts contemplated or required of any Debtor under Section 9(b).

SECTION 13. Secured Party May Perform. If Debtor fails to perform any agreement contained herein, the Secured Party may itself perform, or cause performance of, such agreement, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Debtor under Section 16.

SECTION 14. The Secured Party's Duties. The powers conferred on the Secured Party hereunder are solely to protect its interest in the Patent and Trademark Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Patent and Trademark Collateral and its possession and the accounting for moneys actually received by it hereunder, the Secured Party shall have no duty as to any of the Patent and Trademark Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to the Patent and Trademark Collateral.

SECTION 15 Remedies.

(a) If any Event of Default shall have occurred and be continuing, after delivery of written notice as required under the Facility Agreement, the Secured Party may exercise in respect of the Patent and Trademark Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all of the rights and remedies of a Secured Party under the Uniform Commercial Code as adopted in the State of Washington (the "Code") (whether or not the Code applies to the affected Patent and Trademark Collateral) and all other rights and remedies accorded to the Secured Party at equity or law, including, without limitation, the right to apply for and have a receiver appointed by a court of competent jurisdiction to manage, protect and preserve the Patent and Trademark Collateral, continue the operation of the business of the Debtor and to collect all revenues and profits thereof. Any notice of sale or other disposition of the Patent and Trademark Collateral given not less than ten (10) days prior to such proposed action shall constitute reasonable and fair notice of such action, however no notice shall be required with respect to Patent and Trademark Collateral which is perishable or threatens to decline speedily in value. The Secured Party may postpone or adjourn any such sale from time to time by announcement at the time and place of sale stated in the notice of sale. Any such sale may be for cash or, unless prohibited by applicable law, upon such credit or installment terms as the Secured Party shall determine. The Secured Party may be the purchaser at any such public sale, or to extent permitted by applicable law at any private sale. The appropriate Debtor shall be credited with the net proceeds of such sale only when such proceeds actually are received by the Secured Party. Despite the consummation of any such sale, Debtor

shall remain liable for any deficiency with respect to the Obligations which remain outstanding following any such sale.

(b) All cash proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Patent and Trademark Collateral shall be applied (other than amounts which may be retained for a reasonable time for the purpose of payment of amounts to the Secured Party pursuant to Section 16) in whole or in part by the Secured Party for the ratable benefit of the Secured Beneficiaries against, all or any part of the Obligations, first to interest and the Secured Party's expenses and then to reduce the principal balance and other amounts owing to the Secured Party and the Secured Beneficiaries. Any surplus of such cash or cash proceeds held by the Secured Party and remaining after payment in full or all the Obligations shall be paid over to the Debtor or to whomsoever may be lawfully entitled to receive such surplus.

(c) Upon the request of the Secured Party, the Debtor shall assemble and make the Patent and Trademark Collateral available to the Secured Party at a place designated by the Secured Party which is reasonably convenient to both parties.

#### SECTION 16. Indemnity and Expenses.

(a) Debtor agrees to indemnify the Secured Party from and against any and all claims, losses and liabilities growing out of or resulting from this Patent and Trademark Security Agreement (including, without limitation, enforcement of this Patent and Trademark Security Agreement), except claims, losses or liabilities resulting from the Secured Party's gross negligence or willful misconduct.

(b) Debtor shall, from time to time on demand of the Secured Party, reimburse the Secured Party or the Secured Beneficiaries for all reasonable costs and expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, incurred in or in connection with (i) the administration of this Patent and Trademark Security Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Patent and Trademark Collateral, (iii) the exercise or enforcement of any of the rights of the Secured Party hereunder or (iv) the failure by any Debtor to perform or observe any of the provisions hereof.

SECTION 17. Merger. This Patent and Trademark Security Agreement, together with the Facility Agreement and Patent Assignment for Security Purposes, constitute the entire understanding of the parties with respect to the subject matter contained herein, and with respect only to the Patent and Trademark Collateral supersedes any inconsistent term contained in the Security Agreement.

SECTION 18. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall be ineffective, as to such jurisdiction, to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 19. Security Interests Absolute. A separate action or actions may be brought and prosecuted against the Debtor to enforce this Patent and Trademark Security Agreement, irrespective of whether any action is brought against any other Borrower or whether any other Borrower is joined in any such action or actions. All rights of the Secured Party and security interests hereunder, and all obligations of the Debtor hereunder shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of the Facility Agreement or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from the Facility Agreement, including, without limitation, any increase in the Obligations resulting from the extension of additional credit to any Borrower or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations;

(d) any manner of application of collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any collateral for all or any of the Obligations or any other assets of any Borrower or any of its subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of any Borrower; or

(f) any other circumstance which might otherwise constitute a defense available to, or a discharge of, any Borrower or a guarantor.

SECTION 20. Amendments. No amendment or waiver of any provision of this Patent and Trademark Security Agreement, nor consent to any departure by Debtor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 21. Addresses for Notices. All notices and communications under this Patent and Trademark Security Agreement shall be effective when given in the manner set forth in the Facility Agreement.

SECTION 22. Continuing Security Interest. This Patent and Trademark Security Agreement shall create a continuing security interest in the Patent and Trademark Collateral and shall (i) remain in full force and effect until payment in full of the Obligations (other than indemnities and other contingent obligations not then due and payable which survive payment of the Loans and termination of the Facility Agreement, (ii) be binding upon Debtor and its respective successors and assigns and (iii) inure to the benefit of the Secured Party and the Secured Beneficiaries and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), nothing in this Patent and Trademark Security Agreement shall limit the rights of the Secured Party and the Secured Beneficiaries to assign or otherwise transfer their respective rights under the Facility Agreement to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Secured Party herein or otherwise. Upon the payment in full of the Obligations, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the appropriate Debtor. Upon any such termination, the Secured Party shall, at Debtor's expense, execute and deliver to the appropriate Debtor such documents as Debtor shall reasonably request to evidence and effect such termination.

SECTION 23. Governing Law; Terms. This Patent and Trademark Security Agreement shall be governed by, and construed in accordance with, the laws of the State of Washington except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Collateral, are governed by the laws of a jurisdiction other than the State of Washington. Unless otherwise defined herein, terms used in Article Nine of the Uniform Commercial Code in the State of Washington are used herein as therein defined.

SECTION 24. Venue and Jurisdiction. Actions to enforce the Secured Party's rights herein may be brought in or transferred to, at the option of the Secured Party, the courts of general jurisdiction of the United Kingdom, the United States District Courts or the state courts of general jurisdiction sitting in King County, State of Washington, or in any jurisdiction where any Patent and Trademark Collateral is located. Debtor consents to the non-exclusive jurisdiction of all such courts, and waives any and all defenses based on inconvenience of forum in all actions brought hereunder.

IN WITNESS WHEREOF, Debtor has caused this Patent and Trademark Security Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.



**ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

THE DERBY CYCLE CORPORATION

By: [Handwritten Signature]  
Title: \_\_\_\_\_

**Annex A**

**THE DERBY CYCLE CORPORATION**

Chase Manhattan International Limited ("CHASE") takes a security interest in any state common law or federal trademark rights which The Derby Cycle Corporation ("DERBY") may have in the below listed marks.

**EUROPEAN  
TRADEMARKS**

MARK	REGISTRATION NUMBER	DATE OF REGISTRATION	TERRITORY	COMMENTS
TRINITY	2039898 SN D50505/12Wz	07/07/93	Germany	Renewal: 01/31/02 Class 12
CYCLEPRO			European Community	Class 12

**U.S.  
TRADEMARKS**

MARK	REGISTRATION NUMBER	DATE OF REGISTRATION	TERRITORY	COMMENTS
AMBUSH	Reg.#: 1,515,313	12/06/88	U.S.	CANCELLED 6/12/95
AZUKI	Reg.#: 993,677	9/24/74	U.S.	EXPIRED  <u>Owner (?)</u> : Medalist Industries, Inc.

BONZAI	Reg.#: 1,150,972	4/14/81	U.S.	CANCELLED 10/14/87  <u>Owner (?)</u> : West Coast Cycle Supply Co.  Medalist Industries, Inc.
CABRETTA	Reg.#: 72,559	3/5/84	California	EXPIRED 3/5/94
CASCADE	Reg.#: 71,803	12/28/83	California	EXPIRED 12/28/93
CITISPORT	Reg.#: 71,801 *	12/28/83 *	California	EXPIRED 12/28/93
CLASSIC	Reg.#: 1,150,969	4/14/81	U.S.	CANCELLED 10/14/87  <u>Owner (?)</u> : West Coast Cycle Supply Co.  Medalist Industries, Inc.
CORONADO	Reg.#: 71,804	12/28/83	California	EXPIRED 12/28/93
CRESTA	Reg.#: 1,237,211	5/10/83	U.S.	CANCELLED 9/14/89  <u>Owner (?)</u> : West Coast Cycle Supply Co.  Medalist Industries, Inc.
CROSSTOWN	SN 73-599,913	Filed: 5/21/86	U.S.	ABANDONED
CUSTOM SPORT	Reg.#: 1,150,975	4/14/81	U.S.	Renewable 4/14/01

CYCLE PRO	Reg.#: 1,170,058	9/22/81	U.S.	Renewable 9/22/01
CYCLE PRO	Reg.#: 1,099,137	8/15/78	U.S.	Renewable 8/15/98
CYCLEPRO and Design	Reg.#: 1,380,131	1/28/86	U.S.	Renewable 1/28/06
FISHGILL	Reg.#: 1,201,954	7/20/82	U.S.	CANCELLED 3/13/89  <u>Owner (?)</u> : West Coast Cycle Supply Co.
I.F.B. INTERNATIONAL FREEDOM BUILDERS and Design	Reg.#: 1,330,131	4/9/85	U.S.	CANCELLED 9/24/91
INTERNATIONAL	Reg.#: 1,202,628	7/27/82	U.S.	Renewable 7/27/02
JAMMER	Reg.#: 1,150,968	4/14/81	U.S.	CANCELLED 8/18/94  <u>Owner (?)</u> : Medalist Industries, Inc.
KUMA CLUB <BEAR>	Reg.#: 1,521,721	1/24/89	U.S.	CANCELLED 7/31/95
MARINA	Reg.#: 1,202,629	7/27/82	U.S.	Renewable 7/27/02
MOUNTAIN CRUISER	Reg.#: 71,805	12/28/83	California	EXPIRED 12/28/93
NISHIKI <BROCADE>	Reg.#: 1,033,787	2/17/76	U.S.	Renewable 2/17/06

OLYMPIAN	Reg.#: 1,393,949	5/20/86	U.S.	Renewable 5/20/06
RAIDER	Reg.#: 1,150,974	4/14/81	U.S.	Renewable 4/14/01  Title break: No assignment from Medalist Industries Inc. to Derby Cycle Corporation has been recorded with the PTO.  Last listed owner as of May '98: West Coast Cycle Supply Co.  Last Assignee as of May '98: Medalist Industries, Inc.
ROYALE	Reg.#: 1,233,477	4/5/83	U.S.	Renewable 4/5/03
SHOT GUN	Reg.#: 1,167,185	9/01/81	U.S.	Renewable 9/01/01
SKYLINE	Reg.#: 68,976	3/17/83	California	EXPIRED 3/17/93
SMOKER-CRAFT and Design	Reg.#: 1,202,620	7/27/82	U.S.	Renewable 7/27/02  <u>Owners (?)</u> : The Derby Cycle Corporation (from assignment recorded 12/19/88)  Goshen Sash & Door Co., Inc. (from merger recorded 10/24/91)
SNAKE BELLY	Reg.#: 1,164,581	8/11/81	U.S.	Renewable 8/11/01

STONY POINT	Reg.#: 1,515,312	12/06/88	U.S.	CANCELLED 6/12/95
STREETSTER	Reg.#: 1,514,528	11/29/88	U.S.	CANCELLED 6/5/95  <u>Owners (?)</u> : The Derby Cycle Corporation ( <i>from assignment recorded on 1/31/92</i> )  First National Bank of Boston ( <i>security interest recorded on 11/18/96</i> )
TRINITY	Reg. #: 1,823,682	2/22/94	U.S.	Renewable 2/22/04 Section 8 due 2/22/00
TROPHY	Reg.#: 1,150,973	4/14/81	U.S.	CANCELLED 11/24/87  <u>Owner (?)</u> : West Coast Cycle Supply Co.  Medalist Industries, Inc.
TYPE 2 and Bicycle Number Plate Design	Reg.#: 66,862	7/21/82	California	EXPIRED 7/21/92  <u>Owner (?)</u> : Haro Designs Inc.

ULTRA TOUR	Reg.#: 1,213,227	10/19/82	U.S.	CANCELLED 4/20/89  Owner (?): West Coast Cycle Supply Co.  Medalist Industries, Inc.
VARMIT	Reg.#: 1,496,695	7/19/88	U.S.	CANCELLED 1/23/95
WESTWOOD	Reg.#: 71,802	12/28/83	California	EXPIRED 12/28/93

### CANADIAN TRADEMARKS

MARK	REGISTRATION NUMBER	DATE OF REGISTRATION	TERRITORY	COMMENTS
TRINITY	Reg. Type: TMA App. #: 0697,387	Filed: 1/21/92	Canada	ABANDONED 5/4/95
CYCLEPRO and Design	Reg.#: TMA310,462	1/17/86	Canada	Status: Registered

## ANNEX C

NO.	Country	OWNER	TITLE
8817436	Australia	STURMEY P	VALVE FOR FUNNEL
75373	Europe	TI RALEIGH BV	SWITCH-OVER POWER SUPPLY CIRCUIT FOR BICYCLE LIGHTS
373858	Europe	RALEIGH IND. LTD.	METHOD OF JOINING TUBES
486288	Europe	RALEIGH IND. LTD.	SEAT FIXING FOR BICYCLES
686113	Europe	STURMEY ARCHER LTD.	EPICYCLIC CHANGE SPEED GEAR FOR BICYCLE
762968	Europe	STURMEY ARCHER LTD.	EPICYCLIC CHANGE GEAR SYSTEM ESP. FOR BICYCLE
1,559,822	Great Britain	TI RALEIGH INDS.	PEDAL DRIVEN BICYCLE WITH AUXILIARY ELECTRIC MOTOR
1,590,575	Great Britain	TI RALEIGH IND. LTD.	HANDLEBAR AND FORK STEM ASSEMBLY
2,023,516	Great Britain	TI RALEIGH IND.	RUBBER PNEUMATIC TYRE FOR PEDAL CYCLES OR VEHICLES
2,025,542	Great Britain	RALEIGH IND. LTD.	FREEWHEEL CHAIN SPROCKET FOR BICYCLE
2,039,835	Great Britain	TI RALEIGH IND. LTD.	BICYCLE PEDAL WITH TWO END AND TWO SIDE STRIPS
2,045,703	Great Britain	TI RALEIGH IND. LTD.	FRAME FOR BICYCLE SADDLE
2,047,790	Great Britain	TI RALEIGH IND. LTD.	IN-LINE PIPE JOINT
2,050,259	Great Britain	TI RALEIGH IND. LTD.	SUPPORT FRAME FOR BICYCLE SADDLE
2,056,603	Great Britain	TI RALEIGH LTD.	BRAKE BLOCK FOR CYCLE WHEEL RIM
2,086,502	Great Britain	RALEIGH IND. LTD.	CYCLE BRAKE BLOCK
2,103,553	Great Britain	TI RALEIGH IND. LTD.	COLLAPSIBLE FRAME MEMBER FOR FOLDING BICYCLE
2,118,110	Great Britain	RALEIGH TI IND. LTD.	SPOKED WHEEL WITH ALUMINIUM RIM AND HUB
2,156,052	Great Britain	TI STURMEY-ARCHER	MANUAL ACTUATOR, E.G. BRAKE OR CLUTCH LEVER
2,164,907	Great Britain	TI RALEIGH IND. LTD.	INSTRUMENT CONSOLE FOR PEDAL CYCLE
2,169,065	Great Britain	TI STURMEY-ARCHER	INDEXING MECHANISM FOR SPEED CHANGE HUB
2,207,966	Great Britain	STURMEY ARCHER LTD.	HUB GEAR FOR BICYCLES



## ANNEX C

NO.	Country	OWNER	TITLE
2,249,364	Great Britain	STURMEY ARCHER LTD.	EPICYCLIC CHANGE SPEED GEAR HUB
2,309,502	Great Britain	STURMEY ARCHER LTD.	METHOD OF SECURING SUNWHEEL ON SHAFT
9,319,260	Great Britain	RALEIGH IND. LTD.	FRAME FOR BICYCLES OR TRICYCLES
8100074	Netherlands	TI RALEIGH BV	BICYCLE REAR WHEEL GUARD
8105164	Netherlands	TI RALEIGH BV	DYNAMO LIGHTING SYSTEM FOR BICYCLE
8501060	Netherlands	RALEIGH BV	BICYCLE HEADLAMP WITH INBUILT SOLAR CELLS
	Netherlands		FRAME JOINT CONSTRUCTION FOR BICYCLES AND THE LIKE
UNFILED	United States	DERBY CYCLE CORPORATION	EXERCISE BICYCLE
SN116741	United States	DERBY CYCLE CORPORATION	WISHBONE REAR SEAT STAY CONFIGURATION FOR OFF ROAD BICYCLE
SN187691	United States	DERBY HOLDING BV	BICYCLE FRAME WITH INTERNAL CABLE
SN189591	United States	DERBY CYCLE CORPORATION	BICYCLE FRAME
SN513785	United States	STURMEY ARCHER LTD.	EPICYCLIC CHANGE SPEED GEAR HUBS
D289,506	United States	TI STURMEY ARCHER LTD.	GEAR CHAIN GUARD FOR A CYCLE
D289,751	United States	TI STURMEY ARCHER LTD.	ACTUATOR FOR PUSH-PULL CABLES OR ELECTRIC SWITCHES FOR BICYCLES
D299,448	United States	THE DERBY CYCLE CORPORATION	SPROCKET
D304,814	United States	THE DERBY CYCLE CORPORATION	FOLDABLE FOOTPEG FOR BICYCLES
D342,475	United States	THE DERBY CYCLE CORPORATION	BICYCLE HANDLEBAR
4,507,105	United States	HUFFY CORPORATION	BICYCLE CHAIN GUARD ASSEMBLY
4,556,230	United States	HUFFY CORPORATION	FRAME MOUNTED BICYCLE KICK-STAND
4,583,755	United States	HUFFY CORPORATION	FRAME FOR BICYCLE
4,585,246	United States	HUFFY CORPORATION	BICYCLE FRAME WITH INTERNAL CABLE
4,595,214	United States	RALEIGH CYCLE CO.	U-SHAPED SPRING WIRE TYPE BICYCLE PARKING BRAKE
4,598,922	United States	HUFFY CORPORATION	BICYCLE FRAME SLEEVE COUPLING
4,648,616	United States	HUFFY CORPORATION	FRAME JOINT FOR BICYCLE
4,680,849	United States	DERBY HOLDING BV	APPARATUS FOR ASSEMBLING A BICYCLE FRAME

ANNEX C

NO.	Country	OWNER	TITLE
4,771,651	United States	THE DERBY CYCLE CORPORATION	FOOTSTEP FOR FREESTYLE BICYCLES