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FORM PTO-1618A
Expires 06/30/99
OMB 0651-0027



101447006



07-24-2000

U.S. Patent & TMO/TM Mail Rcpt. Dt. #31

RECORDATION
TRADEMARKS ONLY

EET

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 #

17.24.00

Conveyance Type

- Assignment
- License
- Security Agreement
- Nunc Pro Tunc Assignment
Effective Date
Month Day Year
- Merger
- Change of Name
- Other

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

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

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/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
- Citizenship/State of Incorporation/Organization

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)

FOR OFFICE USE ONLY

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: 002128 FRAME: 0280

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="2338365"/>	<input type="text" value="2332567"/>	<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.

Frank Massmann

[Signature]

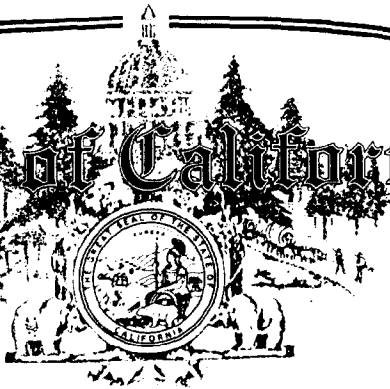
7/17/00

Name of Person Signing

Signature

Date Signed

State of California



SECRETARY OF STATE

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the attached transcript of 1 page(s) was prepared by and in this office from the record on file, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

JUL 07 2000



Bill Jones

Secretary of State

TRADEMARK

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1066564

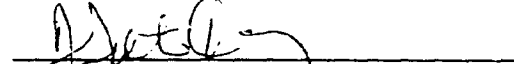
**CERTIFICATE OF AMENDMENT OF ARTICLES OF INCORPORATION
OF CENTRAL COAST SURFBOARDS, INC.**

Michael Adamski and Scott Hackenberg certify that:

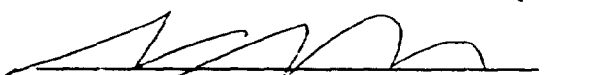
1. They are the chief executive officer and assistant secretary, respectively, of Central Coast Surfboards, Inc., a California corporation.
2. Article One of the Articles of Incorporation of this corporation is amended to read in full as follows:

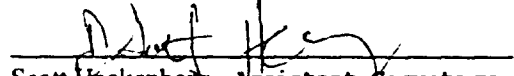
ONE: The name of this Corporation is Phase Three, Inc.
3. The foregoing amendment of Articles of Incorporation has been duly approved by the board of directors.
4. The foregoing amendment of Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding voting shares of the corporation is 1,000 shares. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than fifty percent (50%).


Michael Adamski, Chief Executive Officer


Scott Hackenberg, Assistant Secretary

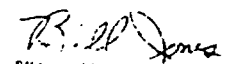
The undersigned declare under penalty of perjury that the matters set forth in this certificate are true of their own knowledge. Executed at San Luis Obispo, California, on June 7, 2000.


Michael Adamski, Chief Executive officer


Scott Hackenberg, Assistant Secretary

FILED
in the office of the Secretary of State
of the State of California

JUN 19 2000


BILL JONES, Secretary of State



527253 v1 SF
19@TX011.DOC

TRADEMARK

REEL: 002128 FRAME: 0283

THE LAW OFFICES OF
KIM MISTRETТА

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U.S. Patent & TMOfr/TM Mail Ropt. Dt. #31

July 19, 2000

Commissioner of Patents and Trademarks
Box Assignments
Washington, DC 20231

Re: Registrant: Phase Three, Inc., whose former name was Central Coast Surfboards, Inc.

New Name of Registrant: Phase Three, Inc., a California corporation

Marks: CCS Registration # 2,338,365
CCS MAILORDER Registration # 2,332,567

Gentlemen/Ladies:

Enclosed for recording with your office is a Recordation Form Cover Page, and a certified copy of a Certificate of Amendment of Articles of Incorporation with respect to the owner of the above Marks, on behalf of the above Registrant.

You will note the "Correspondent Name and Address" on the document is not our office, but of the Registrant's parent company, to whom all further correspondence should be directed. Our office is counsel for a separate company, which has acquired certain other marks from Registrant, and we are applying for registration of one of those other marks concurrently. Because of some issues among the various above marks and the mark we are applying for, which the attached document will dispose of, our office is taking care of merely this initial filing of this document, and all further proceedings would be between your office and Registrant's regular Correspondent as noted on the form.

Also enclosed is our check for \$80.00. Please return the enclosed Postcard, stamped with date and filing number for our records.

Please contact us if there are any questions or problems with this filing. Thank you.

Very truly yours,

THE LAW OFFICES OF KIM MISTRETТА

BY: 
KIM MISTRETТА

TRADEMARK

REEL: 002128 FRAME: 0284

In re Application of

APPLICANT: Good Guy Tuna Company, Inc.
MARK: CENTRAL COAST SURFBOARDS
SER. NO: not yet assigned
FILING DATE: not yet assigned

Assistant Commissioner for Trademarks
2900 Crystal Drive
Arlington, VA 22202-3513

**DECLARATION OF KIM MISTRETТА
IN SUPPORT OF APPLICATION FOR REGISTRATION**

I, Kim Mistretta, hereby declare and make the following statements in support of the accompanying Application for Registration:

1. I am attorney duly licensed to practice law in the State of California, and am the attorney for Applicant herein.

2. Since 1976, Michael R. Chaney and various partners had operated a retail store, selling surfing equipment and fashions. The store was located in San Luis Obispo, California, an area commonly known as the "Central Coast" of California. In 1982, they incorporated the business under the name of "Central Coast Surfboards, Inc."

3. Their lines of goods eventually expanded into the sports of snowboarding and skateboarding. Their sales also eventually expanded beyond its retail store on the central coast of California, to sales by mail order, and eventually by the internet, throughout the world.

4. The name primarily used for the retail store was still "Central Coast Surfboards". However, as to the mail order and internet sales, which had come to focus more on skateboarding and snowboarding than surfing, and which were reaching customers to whom "Central Coast" had no meaning, the marks primarily used for those became "CCS" or "CCS MAILORDER".

5. As use of the "Central Coast Surfboards" mark had been quite regional, no application for registration of same had ever been filed. With the broad use of the "CCS" and "CCS MAILORDER" marks, however, it was decided to apply for registrations for those, which were done April 19, 1999. At that time, the name of the corporation was still Central Coast Surfboards, Inc., and was hence the owner of the marks being applied for at that time.

6. However, in July, 1999, Mr. Chaney and the other shareholders sold their entire ownership of that corporation to a new, entirely-unrelated owner. As a part of that transaction, Chaney's new corporation, Applicant Good Guy Tuna Company, Inc. purchased from the Central Coast Surfboards, Inc., corporation its retail store, including all rights to the name and (then-unregistered) mark "Central Coast Surfboards". As a part of its sale of those rights, the Central Coast Surfboards, Inc., corporation agreed to change its name, to something entirely different. The

Application Serial Number: not yet assigned 1

selling corporation retained its rights to use the "CCS" and "CCS MAILORDER" marks. Attached as Exhibit "A" is a copy of the relevant portions of the acquisition agreement. (On that document, the purchasing entity appears as MRC Surfco, Inc., Applicant's name at that time.)

7. As by the time of the sale, just a few months after their filing, the then-pending applications for "CCS" and "CCS MAILORDER" had not even been assigned to an examiner, no assignment of a pseudo mark had been made, so was not an issue.

8. As of the time the applications for the "CCS" and "CCS MAILORDER" marks were approved and issued a few months later, the name of the owner corporation then still being "Central Coast Surfboards, Inc.", that name was associated by the Office as a pseudo mark in both issued registrations.

9. Finally, just last month, the "Central Coast Surfboards, Inc." corporation completed its name change, to Phase Three, Inc. Attached as Exhibit "B" is a true and correct copy of the Certificate of Amendment to Articles of Incorporation effecting said change, and of the Recordation Cover Sheet by which same is concurrently being presented to the Assignment section, on behalf of and with the permission of the owner.


10. Thus, there should be no further reason or need for the pseudo mark "Central Coast Surfboards" to be associated with either of the "CCS" or "CCS MAILORDER" marks, as the owner of such marks no longer has any rights to use said name, and more importantly, the letters are no longer represent an acronym of such owner's name, as was the case when said applications were originally made and issued. For the same reasons, these existing registrations should represent no bar to this Application for CENTRAL COAST SURFBOARDS, notwithstanding the present association of it as a pseudo mark with them

11. Therefore, Applicant respectfully request the records of the Patent and Trademark Office be changed to delete Central Coast Surfboards as a pseudo mark associated with either of the "CCS" or "CCS MAILORDER" marks.

12. By means of further agreement, a copy of the relevant portions of which are attached hereto as Exhibit "C", the owner of said registered marks has agreed to execute whatever other and further documentation as may be required by the Patent and Trademark Office to remove and release any effect of these pseudo marks as required to permit Applicant's registration of CENTRAL COAST SURFBOARDS. However, it is hoped that the documentation being submitted herewith will be sufficient copy to accomplish that, and that nothing further is required.

I declare further that all statements made herein are made of my own knowledge; that all statements are true of my own personal knowledge; and further, that these statements were made with the knowledge that willful false statements and the like are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of this application and any registration resulting therefrom.

Date: July 19, 2000

By: 
KIM MISTRETТА

Application Serial Number: not yet assigned 2

ASSET CONTRIBUTION AGREEMENT

among:

CENTRAL COAST SURFBOARDS, INC.,
a California corporation

"Sellen"

and

MRC Surfco, Inc.,
a California corporation

"Bugler"

Dated as of July 15, 1999

ASSET CONTRIBUTION AGREEMENT

THIS ASSET CONTRIBUTION AGREEMENT is entered into as of July 15, 1999, by and among Central Coast Surfboards, Inc., a California corporation ("CCS"), and MRC Surfco, Inc., a California corporation ("MRC"). Certain capitalized terms used in this Agreement are defined in Exhibit A.

RECITALS

A. CCS has formed MRC as a wholly owned subsidiary of CCS for the purpose of contributing to MRC the Transferred Assets.

B. In connection with such contribution of assets, MRC has agreed to assume from CCS, and CCS has agreed to assign to MRC, certain liabilities of CCS related to the operation of the Transferred Business.

C. Also in connection with such contribution of assets, MRC has agreed to issue to CCS 100,000 shares of common stock of MRC, no par value, which shares when issued will represent all of the issued and outstanding shares of MRC (the "MRC Shares").

AGREEMENT

The parties to this Agreement, intending to be legally bound, agree as follows:

SECTION 1. TRANSFER OF TRANSFERRED ASSETS; RELATED TRANSACTIONS.

CCS shall cause to be contributed, assigned, transferred and delivered to MRC, at the Closing (as defined below), all of its right, title and interest in and to the Transferred Assets, on the terms and subject to the conditions set forth in this Agreement.

1.1 Consideration. As consideration for the transfer of the Transferred Assets to MRC, at the Closing:

(a) MRC shall issue and deliver to CCS a stock certificate (the "Share Certificate"), representing the MRC Shares duly endorsed (or accompanied by duly executed stock powers); and

(b) MRC shall assume the Assumed Liabilities by entering into an Assumption Agreement with CCS in substantially the form of Exhibit B (the "Assumption Agreement").

1.2 Taxes. CCS shall file all of CCS's returns and bear and pay all Taxes in connection with the Asset Contribution Transactions. MRC shall file all of MRC's returns and bear and pay all of MRC's Taxes in connection with the Asset Contribution Transactions.

1.3 Allocation. Within 30 days of the Closing, MRC and CCS shall, in good faith, prepare a statement setting forth the manner in which the consideration paid hereunder is to be

allocated among the Transferred Assets. The allocation prescribed by such statement shall be conclusive and binding upon MRC and CCS for all purposes, and neither MRC nor CCS shall file any Tax Return or other document with, or make any statement or declaration to, any Governmental Body that is inconsistent with such allocation.

1.4 Closing.

(a) The closing of the transfer of the Transferred Assets to MRC (the "Closing") shall take place immediately prior to, and in the same location as, the closing scheduled in Section 1.3(a) of the Share Contribution Agreement by and among Kubic, Inc., CCS, Skateboard World Industries, Inc. and the shareholders of CCS (the "Share Contribution Agreement").

(b) At the Closing:

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(i) CCS shall execute and deliver to MRC a Bill of Sale in the form of Exhibit C attached hereto;

(ii) MRC shall issue and deliver to CCS the MRC Shares as contemplated by Section 1.1(a);

(iii) MRC and CCS shall execute and deliver to each other the Assignment and Assumption Agreement; and

(iv) CCS shall wire \$152,000 as instructed by MRC, subject to any adjustment as follows: if as of the Closing, the difference between the amount of inventory located in the store (valued in the usual CCS cost basis), and the permitted outstanding accounts payable associated with said inventory, is not within ten percent, plus or minus, of \$285,000, the cash transferred shall be adjusted, up or down, by the amount of any excess beyond said ten percent window (such inventory and accounts payable figures shall be subject to verification, based, in part, upon a schedule prepared by MRC and CCS setting forth all inventories of CCS located at the Store on the Closing Date, at the Closing, by Michael Chaney or his agents on the one hand, and CCS and Kubic on the other hand) (the "Cash Asset").

1.5 Bulk Sales Law. The parties agree to waive compliance with all the California Bulk Sales laws, and that such non-compliance will not be asserted by any party as a breach hereunder.

SECTION 2. REPRESENTATIONS AND WARRANTIES OF CCS.

CCS represents and warrants, to and for the benefit of MRC, as follows:

2.1 Authority; Binding Nature of Agreement. CCS represents and warrants, to and for the benefit of MRC, that CCS has the absolute and unrestricted right, power and authority to enter into and to perform its obligations under this Agreement. This Agreement constitutes the legal, valid and binding obligation of CCS, enforceable against CCS in accordance with its terms.

2.2 Title to Transferred Assets. At the Closing, MRC will acquire all of CCS's right title and interest in and to the Transferred Assets.

2.3 Warranties Exclusive. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, CCS MAKES NO EXPRESS OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER WARRANTY AS TO THE CONDITION OR OPERATION OF ANY OF THE TRANSFERRED ASSETS, AND ALL SUCH PROPERTY WILL BE TRANSFERRED "AS IS, WHERE IS" WITH ALL FAULTS AND DEFECTS.

2.4 Payment of Employees, Sales Taxes. On the Closing Date, CCS will terminate employment of all employees working at the Transferred Business (including Michael R. Chaney) (the "Store Employees") and issue final payroll checks, which shall include full payment of all wages and accrued vacation (but not sick pay) through the Closing Date. CCS will timely pay to or on behalf of all appropriate taxing authorities all payroll withholdings and employer contributions of payroll taxes for the Store Employees for the period ending on the Closing Date. On or a soon as practicable after the Closing Date, CCS shall also pay to the CCS employee profit sharing plan trustee or administrator all funds representing any accrued but unpaid CCS contributions due for any Store Employee under the Central Coast Surfboards Profit Sharing Plan. CCS will timely pay to or on behalf of all appropriate taxing authorities all sales taxes due on sales during the period ending on the Closing Date, and file all required returns for same.

2.5 Payment of Inventory and Other Liabilities Accruing Prior to Closing. During the period from and after the date of this Agreement and until the Closing, CCS covenants and agrees that it will carry on the Transferred Business in substantially the same manner as heretofore carried on, specifically including the payment, in the ordinary course of business, of all invoices for inventory delivered to the Store. CCS will pay in a timely manner all rent and utilities for the Higuera lease and payments on the Assumed Contracts, accruing through the Closing Date.

2.6 Delivery of Records and Computer Data on Closing. At the Closing, CCS will deliver to MRC all of its records, files, documents, instructions, manuals, and other records and materials used exclusively in the day-to-day operations of Transferred Assets and Transferred Business. Specifically included will be all original personnel files for employees working at the Store as of Closing Date. At the Closing, CCS will deliver to MRC a copy for archival purposes of all data residing in CCS's computers relating exclusively to historical transactions that have occurred at the Store. To the extent practicable, if any data residing in CCS's computers do not relate exclusively to historical transactions that have occurred at the Store but do contain some information relating to historical transactions at the Store, CCS shall redact the information not related to the Store from such data or copy the data related exclusively to the Store to another file, in order to provide MRC with a file that contains data related exclusively to historical transactions that have occurred at the Store.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF MRC.

MRC represents and warrants, to and for the benefit of CCS as follows:

3.1 Authority; Binding Nature of Agreement. MRC has the absolute and unrestricted right, power and authority to enter into and to perform its obligations under this Agreement. This Agreement constitutes the legal, valid and binding obligation of MRC, enforceable against MRC in accordance with its terms.

3.2 Share Ownership. MRC owns, and has good, valid and marketable title to, all of the MRC Shares free and clear of any Encumbrances, and (b) CCS will acquire at the Closing good, valid and marketable title to, all of the MRC Shares free and clear of any Encumbrances.

3.3 Warranties Exclusive. MRC HEREBY ACKNOWLEDGES THAT, EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, CCS MAKES NO EXPRESS OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER WARRANTY AS TO THE CONDITION OR OPERATION OF ANY OF THE TRANSFERRED ASSETS, AND ALL SUCH PROPERTY WILL BE TRANSFERRED "AS IS, WHERE IS" WITH ALL FAULTS AND DEFECTS.

SECTION 4. CONDITIONS PRECEDENT TO THE OBLIGATION OF MRC.

The obligation of MRC to consummate the transactions contemplated by this Agreement is expressly subject to the satisfaction, on or prior to the Closing Date, of all of the following conditions (compliance with which or the occurrence of which may be waived in whole or in part by MRC in writing):

4.1 Representations, Covenants and Warranties. The representations and warranties of CCS contained in this Agreement shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, except for any variations therein resulting from actions contemplated or permitted by this Agreement, which variations shall not be materially adverse to MRC. CCS shall have performed and satisfied all covenants and conditions required to be performed or satisfied by it on or prior to the Closing Date.

4.2 Lease of Premises. The landlord under the Lease for the 736-38 Higuera premises has consented to the assignment of same to MRC.

SECTION 5. INDEMNIFICATION, ETC.

5.1 Survival Of Covenants and Obligations. The covenants and obligations of each party to this Agreement shall survive (without limitation): (i) the Closing and the transfer of the Transferred Assets to MRC; (ii) any sale or other disposition of any or all of the Transferred Assets by MRC; and (iii) the death or dissolution of any party to this Agreement. All of said covenants and obligations shall remain in full force and effect and shall survive for an unlimited period of time.

5.2 Indemnification By CCS. CCS shall hold harmless and indemnify MRC from and against, and shall compensate and reimburse MRC for, any Damages that are directly or indirectly suffered or incurred by MRC or to which MRC may otherwise become subject at any time (regardless of whether or not such Damages relate to any third-party claim) and that arise directly or indirectly from or as a direct or indirect result of, or are directly or indirectly

connected with any breach of any covenant or obligation of CCS contained in this Agreement and any Proceeding relating directly or indirectly to any such breach (including any Proceeding commenced by MRC for the purpose of enforcing any of its rights under this Section 5.2).

5.3 Indemnification By MRC. MRC shall hold harmless and indemnify CCS, from and against, and shall compensate and reimburse CCS for, any Damages that are directly or indirectly suffered or incurred by CCS or to which CCS may otherwise become subject at any time (regardless of whether or not such Damages relate to any third-party claim) and that arise directly or indirectly from or as a direct or indirect result of, or are directly or indirectly connected with: (i) any breach of any covenant or obligation of CCS contained in this Agreement; (ii) any failure on the part of MRC to perform and discharge the Assumed Liabilities; or (iii) any Proceeding relating directly or indirectly to any failure or breach of the type referred to in clause "(i)" or "(ii)" above (including any Proceeding commenced by CCS for the purpose of enforcing its rights under this Section 5.3).

5.4 Nonexclusivity Of Indemnification Remedies. The indemnification remedies and other remedies provided in this Section 5 shall not be deemed to be exclusive. Accordingly, the exercise by any Person of any of its rights under this Section 5 shall not be deemed to be an election of remedies and shall not be deemed to prejudice, or to constitute or operate as a waiver of, any other right or remedy that such Person may be entitled to exercise (whether under this Agreement, under any other Contract, under any statute, rule or other Legal Requirement, at common law, in equity or otherwise).

SECTION 6. LICENSE TO CCS MARK.

6.1 Use of CCS Mark. As of the Closing, and subject to the terms and conditions of this Agreement, CCS hereby grants MRC a non-exclusive, non-transferable (except as expressly provided below), royalty-free license (without right of sublicense) to use the logos and trademarks associated with the brand "CCS" (the "CCS Mark") solely in connection with the use of print media and other advertising and promotional materials that exist as of the Closing, in order to allow an orderly cessation by MRC of such use (the "Permitted MRC Use").

6.2 Limitations and Restrictions on Use of CCS Mark. The license granted to MRC hereunder (the "MRC License") shall be subject to the following limitations and restrictions:

(a) The MRC License does not entitle MRC to, and MRC shall not, use the CCS Mark: (i) in connection with any business (retail or otherwise) other than the Transferred Business; (ii) in connection with any activity (retail or otherwise) other than the Permitted MRC Use; or (iii) at any location outside of San Luis Obispo County, Santa Barbara County, Fresno County or Kern County. Without limiting the foregoing, the MRC License does not entitle MRC, and MRC shall not, use the CCS Mark in connection with (1) any directed marketing (whether through catalogue sales, "mail order" Internet sales, sales through the "World Wide Web" or otherwise) or (2) the development, creation, establishment or use of any additional or new printed media, advertising or other promotional materials.

(b) The MRC License may not be assigned or transferred to any Person other than Mr. Michael R. Chaney or an Entity, at least 50% of the equity or other ownership interests of which, are owned by Mr. Chaney or MRC (a "Permitted Transferee").

(c) Except as provided in Section 6.2(d), the MRC License shall expire one hundred eighty (180) days after the Closing provided that, as to use of the letters "CCS" on any printed apparel, surfboards, and stickers that exist as of the Closing Date, solely in connection with the Permitted MRC Use, the MRC License shall expire one year after the Closing.

(d) Notwithstanding Section 6.2(c), the MRC License shall terminate and immediately expire without any actions by the parties hereto:

(i) In the event that the MRC License becomes held by a Permitted Transferee, should MRC or Mr. Chaney (or Mr. Chaney's heirs and estate) cease to own at least 50% of the equity interests of such Permitted Transferee; or

(ii) In the event of a material breach by MRC or Mr. Chaney (or any Permitted Transferee) of this Section 6.

(e) MRC shall ensure that all advertising will preserve the value of, and reflect favorably upon, the CCS Mark.

6.3 No Similar Mark. MRC agrees not to adopt or use any trademarks, tradenames, words, symbols, letters, designs or marks (a) in combination with the CCS Mark in a manner that would create combination marks or (b) that would be confusingly similar to the CCS Mark.

SECTION 7. LICENSE TO CENTRAL COAST SURFBOARD MARK.

7.1 Use of MRC Mark. As of the Closing, and subject to the terms and conditions of this Agreement, MRC hereby grants CCS a non-exclusive, non-transferable (except as expressly provided below), royalty-free license (without right of sublicense) to use the logos and trademarks associated with the brand "Central Coast Surfboards" (the "MRC Mark") solely in connection with the use of print media and other advertising and promotional materials that exist as of the Closing, in order to allow an orderly cessation by CCS of such use (the "Permitted CCS Use").

7.2 Limitations and Restrictions on Use of MRC Mark. The license granted to CCS hereunder (the "CCS License") shall be subject to the following limitations and restrictions:

(a) The CCS License does not entitle CCS to, and CCS shall not, use the MRC Mark: (i) in connection with any retail store business; (ii) in connection with any activity (retail or otherwise) other than the Permitted CCS Use. Without limiting the generality of the foregoing, the CCS License does not entitle CCS to, and CCS shall not, use the MRC Mark, in connection with the development, creation, establishment or use of any additional or new print media, advertising, website content, or other promotional materials.

(b) The CCS License may not be assigned or transferred to any Person.

(c) Except as provided in Section 7.2(d), the CCS Licensee shall expire one hundred eighty (180) days after the Closing.

(d) Notwithstanding Section 7.2(c), the CCS License shall terminate and immediately expire without any actions by the parties hereto:

(i) In the event that the CCS License granted hereunder becomes held by a Person other than CCS; or

(ii) In the event of a material breach by CCS of this Section 7.

(e) CCS shall ensure that all advertising will preserve the value of, and reflect favorably upon, the MRC Mark.

7.3 No Similar Mark. CCS agrees not to adopt or use any trademarks, tradenames, words, symbols, letters, designs or marks (a) in combination with the MRC Mark in a manner that would create combination marks or (b) that would be confusingly similar to the MRC Mark.

SECTION 8. POST-CLOSING COVENANTS.

8.1 Access to and Retention of Records. MRC shall retain all files, records and documents transferred to it hereunder for a period of five years from the Closing Date. To the extent necessary to prepare its financial statements, respond to any audit, or to manage its accounts payable or accounts receivable, CCS shall have reasonable access to any or all of such files, records and documents for inspection and copying upon reasonable request. CCS shall retain all files, records and documents remaining in its possession as contain information relating to the Transferred Business or the Transferred Assets for a period of five years from the Closing Date. To the extent necessary to prepare its financial statements, respond to any audit, or to manage its accounts payable or accounts receivable, MRC shall have reasonable access to any or all of such files, records and documents upon request. CCS will retain all of its accounting books and records and tax returns relating to the Transferred Assets and Transferred Business in safekeeping and will not destroy or dispose of such books, records and tax returns, but will deliver the same to MRC if CCS no longer desires to retain them.

8.2 Cooperation Regarding Transfer of Transferred Assets. To assist in the orderly transfer of the Transferred Business to MRC, the parties agree that, at the sole cost and expense of MRC, CCS shall give MRC reasonable access Personnel Director Stacy Elliott and CPA Paul Bunker or other CCS CPA's and in-house bookkeeping staff, (for no more than an aggregate of 3 hours per week) to the extent as reasonably necessary to properly administer MRC employee issues and financial transitions.

8.3 Changes of Corporate Names, Addresses. CCS agrees to file with the California Secretary of State, within 30 days after Closing, amendments to its Articles of Incorporation effecting the change of its name to any other name (not including any of the following words: "Coast," "Surfboards," "Surfboard," or "Surf." CCS agrees that MRC may, at any time after 90 days from Closing, file with the California Secretary of State amendments to its

Articles or Incorporation effecting the changes of its name to Central Coast Surfboards, Inc. and otherwise do business under said name in all respects.

8.4 Restrictions on Use of Dolphin Graphics, and Other Names and Marks.

(a) For a period of three years after Closing, CCS will not use in connection with its name or as a trademark, any graphics or logos depicting dolphins in any form or manner. Within 30 days of Closing, CCS will destroy or deliver to MRC all remaining business cards, stationary or promotional materials containing any dolphin graphic.

(b) As a part of the Transferred Assets, CCS is conveying to MRC all its existing rights in and to the "Central Coast Surfboards" name, style, trademarks, and graphics; CCS further hereby affirmatively covenants and agrees it will not use same after closing, except under the CCS License.

(c) CCS is not conveying to MRC any rights in and to the "CCS" name, style, trademarks, and graphics. However, as an inducement to MRC for MRC to agree to allow CCS to retain all such rights, CCS affirmatively covenants and agrees in favor of MRC that CCS will not, for a period of three years after closing: a) cause or authorize any Person to use such name, style, trademarks, or graphics to engage in "Competition" (as defined in the Noncompetition Agreement entered into by CCS in favor of MRC and Michael Chaney as of the date hereof); or b) sell or transfer any product imprinted with the letters "CCS" to any wholesaler or retailer for resale at any place within San Luis Obispo County.

SECTION 9. MISCELLANEOUS PROVISIONS.

9.1 Fees and Expenses. MRC and CCS shall bear and pay equally all fees, costs and expenses (other than the legal fees and expenses payable to Sinsheimer, Schiebelhut and Bagget that are covered separately in the Share Contribution Agreement) that have been incurred by, on behalf of or for the benefit of CCS or MRC in connection with: (i) the preparation and negotiation of the transactions contemplated hereby and submission of any filing or notice required to be made or given in connection with any of the Asset Contribution Transactions, and the obtaining of any Consent (whether by CCS, MRC or by any other Person) required to be obtained in connection with the Asset Contribution Transactions; and (ii) the consummation and performance of the Asset Contribution Transactions; *provided, however,* that, if the Closing occurs, CCS shall reimburse MRC for \$13,500 of such costs, fees and expenses.

9.2 Attorneys' Fees. If any legal action or other legal proceeding relating to any of the Transactional Agreements or the enforcement of any provision of any of the Transactional Agreements is brought against any party to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs and disbursements (in addition to any other relief to which the prevailing party may be entitled).

9.3 Notices. Any notice or other communication required or permitted to be delivered to any party under this Agreement shall be in writing and shall be deemed properly delivered, given and received when delivered (by hand, by registered mail, by courier or express delivery service or by facsimile) to the address or facsimile number set forth beneath the name of

such party below (or to such other address or facsimile number as such party shall have specified in a written notice given to the other parties hereto):

If to CCS:

Central Coast Surfboards, Inc.
C/O World Industries, Inc.
815 N. Nash Street
El Segundo, CA 90245
Attention: Chief Financial Officer
Facsimile: (310) 640-9462

with a copy to:

Cooley Godward LLP
3000 Sand Hill Road
Bldg. 3, Suite 230
Menlo Park, CA 94025-7116
Attention: Craig Dauchy
Facsimile: (650) 854-2691

and a copy to:

Swander Pace Capital
345 California Street, Suite 2500
San Francisco, CA 94104
Attention: Shawn Hecht
Facsimile: (415) 477-8510:

If to MRC:

Mike Chaney
736 Higuera Street
San Luis Obispo, CA 93401
Facsimile:

with a copy to:

The Law Offices of Kim Mistretta
1101 Main Street, Suite C
San Luis Obispo, CA 93401
Facsimile: (805) 546-0800

9.4 Time Of The Essence. Time is of the essence of this Agreement.

9.5 Headings. The underlined headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

9.6 No Liability for Pre-Closing Covenants; Further Assurances. CCS shall not be liable for any breach or failure to comply with any representation, warranty or covenant under this Asset Contribution Agreement which breach or failure to comply occurred prior to the closing of the transactions contemplated by the Share Contribution Agreement. However, each party hereto shall execute and/or cause to be delivered to each other party hereto such instruments and other documents, and shall take such other actions (including the performance by CCS of any covenants hereunder which have not been performed prior to the Closing), as such other party may reasonably request after the Closing for the purpose of carrying out or evidencing any of the Asset Contribution Transactions and CCS shall be liable for failure to comply with the terms of this covenant.

9.7 Counterparts. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement.

9.8 Governing Law; Venue.

(a) This Agreement shall be construed in accordance with, and governed in all respects by, the internal laws of the State of California (without giving effect to principles of conflicts of laws).

(b) Any legal action or other legal proceeding relating to this Agreement or the enforcement of any provision of this Agreement may be brought or otherwise commenced in any state court located in the County of San Luis Obispo, California. Each party to this Agreement:

(i) expressly and irrevocably consents and submits to the jurisdiction of each state court located in the County of San Luis Obispo, California (and each appellate court located in the State of California) in connection with any such legal proceeding;

(ii) agrees that each state court located in the County of San Luis Obispo, California shall be deemed to be a convenient forum; and

(iii) agrees not to assert (by way of motion, as a defense or otherwise), in any such legal proceeding commenced in any state court located in the County of San Luis Obispo, California, any claim that such party is not subject personally to the jurisdiction of such court, that such legal proceeding has been brought in an inconvenient forum, that the venue of such proceeding is improper or that this Agreement or the subject matter of this Agreement may not be enforced in or by such court.

9.9 Successors And Assigns; Parties In Interest.

(a) This Agreement shall be binding upon: CCS and its successors and assigns (if any); and MRC and its successors and assigns (if any). This Agreement shall inure to the benefit of: CCS; MRC; and the respective successors and assigns (if any) of the foregoing.

(b) None of the provisions of this Agreement is intended to provide any rights or remedies to any Person other than the parties to this Agreement and their respective successors and assigns (if any).

9.10 Remedies Cumulative; Specific Performance. The rights and remedies of the parties hereto shall be cumulative (and not alternative). MRC and CCS agree that, in the event of any breach or threatened breach by any party hereto of any covenant, obligation or other provision set forth in this Agreement, the damaged parties shall be entitled to seek (in addition to any other remedy that may be available to it) to: (a) a decree or order of specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other provision, and (b) an injunction restraining such breach or threatened breach.

9.11 Waiver. No failure on the part of any Person to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy. No Person shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Person; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

9.12 Amendments. This Agreement may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered on behalf of MRC and CCS.

9.13 Severability. In the event that any provision of this Agreement, or the application of any such provision to any Person or set of circumstances, shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to Persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law.

9.14 Entire Agreement. The Transactional Agreements set forth the entire understanding of the parties relating to the subject matter thereof and supersede all prior agreements and understandings among or between any of the parties relating to the subject matter thereof.

9.15 Construction.

(a) For purposes of this Agreement, whenever the context requires: the singular number shall include the plural, and vice versa; the masculine gender shall include the feminine and neuter genders; the feminine gender shall include the masculine and neuter genders; and the neuter gender shall include the masculine and feminine genders.

(b) The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement.

(c) As used in this Agreement, the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation."

(d) Except as otherwise indicated, all references in this Agreement to "Sections" and "Exhibits" are intended to refer to Sections of this Agreement and Exhibits to this Agreement.

EXHIBIT A

CERTAIN DEFINITIONS

For purposes of the Agreement (including this Exhibit A):

Asset Contribution Transactions. "Asset Contribution Transactions" shall mean (a) the execution and delivery of the respective Transactional Agreements, and (b) all of the transactions contemplated by the respective Transactional Agreements, including: (i) the sale of the Transferred Assets by CCS to MRC in accordance with the Agreement; (ii) the assumption of the Assumed Liabilities by MRC pursuant to the Assignment and Assumption Agreement; and (iii) the performance by CCS and MRC of their respective obligations under the Transactional Agreements, and the exercise by CCS and MRC of their respective rights under the Transactional Agreements.

Assumed Liabilities. "Assumed Liabilities" shall mean all Liabilities of CCS relating solely to the operation of the Transferred Business or any past or future business conducted at the Store (or at any store at which MRC may conduct the Transferred Business), including, but not limited to:

(i) all accounts payable of CCS relating to the operation of the Transferred Business except accounts payable by CCS under Section 2.4 or 2.5 above and except accounts payable with invoices that are dated 30 days or more prior to the Closing;

(ii) all Liabilities of CCS under any of the Assumed Contracts except amounts payable by CCS under Section 2.5 above;

(iii) any Liability of CCS to any Person (including any Liability for unpaid or disputed compensation or other benefits such as vacation, severance, or other fringe benefits, or for unfair labor or employment practices, employment discrimination, workers compensation) relating to such Person's past, present or future employment at the Store (or at any store at which MRC may conduct the Transferred Business) except compensation, benefits and Taxes payable by CCS under Section 2.4 above;

(iv) any Liability relating to any claim by a third party (including any customer at the Store or at any store at which MRC may conduct the Transferred Business) relating to the Transferred Business or any past or future business conducted at the Store (or at any store at which MRC may conduct the Transferred Business) including any Liabilities for any tort or fraud;

(v) any Liability related to the failure of the past, present or future business being conducted at the Store (or at any store at which MRC may conduct the Transferred Business) to comply with any Legal Requirement; and

(vi) any Liability relating to the obtaining of (or failure to obtain) any consent under any Assumed Contract.

Damages. "Damages" shall include any loss, damage, injury, Liability, claim, demand, settlement, judgment, award, fine, penalty, Tax, fee, cost or expense of any nature.

Entity. "Entity" shall mean any corporation, partnership, joint venture, limited liability company, estate, trust, company, firm or other enterprise, association, organization or entity.

Encumbrance. "Encumbrance" shall mean any lien, pledge, charge, mortgage, security interest, encumbrance, claim, infringement, interference, option, right of first refusal, preemptive right, or other restriction or encumbrance of any nature.

Governmental Authorization. "Governmental Authorization" shall mean any permit, license, franchise, approval, consent, certification, registration, filing with or authorization of any Governmental Body.

Governmental Body. "Governmental Body" shall mean any federal, state, local, municipal, or foreign government or governmental authority.

Liability. "Liability" shall mean any debt, obligation, duty or liability of any nature, regardless of whether such debt, obligation, duty or liability is immediately due and payable.

Person. "Person" shall mean any individual, Entity or Governmental Body.

Proceeding. "Proceeding" shall mean any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation.

Store. "Store" shall mean CCS's store located at 736-38 Higuera Street, San Luis Obispo, California.

Tax. "Tax" shall mean any tax (including any income tax, franchise tax, capital gains tax, estimated tax, gross receipts tax, value-added tax, surtax, excise tax, ad valorem tax, transfer tax, stamp tax, sales tax, use tax, property tax, business tax, occupation tax, inventory tax, occupancy tax, withholding tax or payroll tax), levy, assessment, tariff, impost, imposition, toll, duty (including any customs duty), deficiency or fee, and any related charge or amount (including any fine, penalty or interest), that is, has been or may in the future be (a) imposed, assessed or collected by or under the authority of any Governmental Body, or (b) payable pursuant to any tax-sharing agreement or similar Contract.

Tax Return. "Tax Return" shall mean any return (including any information return), report, statement, declaration, estimate, schedule, notice, notification, form, election, certificate or other document or information that is, has been or may in the future be filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Legal Requirement relating to any Tax.

Transactional Agreements. "Transactional Agreements" shall mean: (a) the Agreement; and (b) the Assignment and Assumption Agreement.

Transferred Assets. "Transferred Assets" shall mean:

(a) all inventories of CCS located at the Store (as defined below) on the date hereof plus any inventory that may be delivered to the Store after the date hereof pursuant to orders for inventory that have been made prior to the Closing Date, which MRC represents is an amount that is not excessive based upon prior operations at the store, is customary and normal for the operation of the Store;

(b) the Cash Asset;

(c) petty cash on hand at the Store as of the date hereof, in an amount that the MRC represents will not exceed \$5,000;

(d) all equipment, materials, tools, supplies, furniture, fixtures, improvements, business, goodwill, assets, real or personal, tangible or intangible of CCS that are (i) located at the Store on the date hereof and (ii) are used solely for the operation of the Transferred Business (as defined below) or (iii) set forth on Schedule A-1;

(e) all advertising and promotional materials possessed by CCS that are used solely for the operation of the Transferred Business;

(f) all rights of CCS under the Contracts identified on Schedule A-2 (the "Assumed Contracts"); and

(g) telephone numbers: 805-541-1129; 805-544-9283;

(h) ownership and all other rights, title, or interests of CCS, to use, exclusively as between CCS and MRC, anywhere in the world, as a trademark, business name, or corporate name, and to do business under:

(i) the name and style "Central Coast Surfboards;"

(ii) all logos, graphics or designs relating to said name, including, but not limited to, those depicted on Schedule A-3, pages 1-15 hereto;

(iii) the phrase "Surfers serving surfers since 1975"

(i) ownership of the domain name centralcoastsurfboards.com, and contract rights to operation and content of existing website reached at that domain name;

(j) all estates, fixtures, and leasehold improvements under the lease for 736-38 Higuera Street, San Luis Obispo, California;

(k) promissory note from Michael R. Chaney in the amount of \$100,000;

(l) promissory note from Cole Simler in the amount of \$9,452.31;

(m) all deposits or prepaid expenses in connection with the Transferred Business;

(n) all rights and amounts on deposit for Store employees (including Michael R. Chaney) in the Central Coast Surfboards Profit Sharing Plan, to be transferred as directed by MRC at Closing to the Trustee or Administrator thereof, into a new plan to be established by MRC;

(o) all furniture and other furnishings presently located in Michael Chaney's office at the McMillan Road premises;

(p) 1998 Toyota Landcruiser presently used by Michael Chaney;

(q) Dale Evers dolphin sculpture;

(r) all rights as beneficiary under the existing term life insurance policy on Michael Chaney.

(s) all books, records, files and data of CCS (including any lists existing as of the Closing Date that are limited to Persons who have made purchases at the Store) that are used solely by CCS in connection with the Transferred Business Store (*provided, however*, that CCS shall be entitled to retain a copy of all such books, records, files and data for archival purposes only).

Transferred Business. "Transferred Business" shall mean the over the counter "in shop" retail sales business of CCS as it is currently being conducted at the Store, and shall expressly exclude: (i) any past business conducted at the Store that is not currently being conducted at the Store; and (ii) any other business, operations or activities of CCS that are not solely and entirely attributable to the current over the counter "in shop" retail sales business at the Store. Nothing in this Agreement shall be construed to imply that the business or operations MRC may conduct in the future are limited to the Transferred Business being purchased from CCS, as just defined.



07-24-2000

RECORD

U.S. Patent & TMO/TM Mail Rpt. Dt. #31

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
Effective Date
Month Day Year
- Merger
- Change of Name
- Other

Conveying Party

Mark If additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

- Individual
- General Partnership
- Limited Partnership
- Corporation
- Association

Other

Citizenship/State of Incorporation/Organization

Receiving Party

Mark If additional names of receiving parties attached

Name

DBA/AKA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

- Individual
- General Partnership
- Limited Partnership

- Corporation
- Association

Other

Citizenship/State of Incorporation/Organization

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.)

FOR OFFICE USE ONLY

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

EXHIBIT B

TRADEMARK
REEL: 002128 FRAME: 0304

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="2338365"/>	<input type="text" value="2332567"/>	<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.

Frank Messmann

[Signature]

7/17/00

Name of Person Signing

Signature

Date Signed

State of California



SECRETARY OF STATE

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the attached transcript of 1 page(s) was prepared by and in this office from the record on file, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

JUL 07 2000



Bill Jones

Secretary of State

10547289

1066564

**CERTIFICATE OF AMENDMENT OF ARTICLES OF INCORPORATION
OF CENTRAL COAST SURFBOARDS, INC.**

Michael Adamski and Scott Hackenberg certify that:

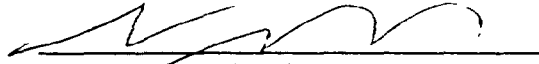
1. They are the chief executive officer and assistant secretary, respectively, of Central Coast Surfboards, Inc., a California corporation.

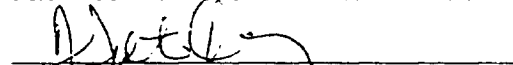
2. Article One of the Articles of Incorporation of this corporation is amended to read in full as follows:

ONE: The name of this Corporation is Phase Three, Inc.

3. The foregoing amendment of Articles of Incorporation has been duly approved by the board of directors.


4. The foregoing amendment of Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding voting shares of the corporation is 1,000 shares. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than fifty percent (50%).


Michael Adamski, Chief Executive Officer


Scott Hackenberg, Assistant Secretary

The undersigned declare under penalty of perjury that the matters set forth in this certificate are true of their own knowledge. Executed at San Luis Obispo, California, on June 7, 2000.

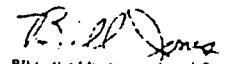

Michael Adamski, Chief Executive officer


Scott Hackenberg, Assistant Secretary

FILED
in the office of the Secretary of State
of the State of California

JUN 19 2000




BILL JAMES, Secretary of State

527253 v1 SF
10/01/00

TRADEMARK

REEL: 002128 FRAME: 0307

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (the "Agreement") is entered into effective as of July 1, 2000 by and among Kubic Marketing, Inc. (a Delaware corporation), Skateboard World Industries, Inc. (a California corporation), and Phase Three, Inc. (a California corporation) ("Phase Three"), having their primary place of business is located at 2701 McMillan Road, San Luis Obispo, CA 93401 (collectively, "Phase Three Parties"), and Michael R. Chaney, a U.S. citizen ("Chaney"), the Michael Ray Chaney Intervivos Trust of September 6, 1996 ("Chaney Trust"), and MRC Surfco, Inc. (whose present name is Good Guy Tuna Company, Inc.), a California corporation ("MRC"), having their primary place of business located at 736 Higuera Street, San Luis Obispo, CA 93401 (collectively, "MRC Parties").

WHEREAS, Phase Three, whose former name was Central Coast Surfboards, Inc., is no longer using the mark CENTRAL COAST SURFBOARDS and has changed its name effective June 19, 2000;

WHEREAS, the parties wish to amend a certain Non-Competition Agreement dated August 13, 1999 among Kubic Marketing, Inc., Skateboard World Industries, Inc. and Phase Three, Inc. attached as Exhibit A hereto (the "Non-Competition Agreement"), as a condition of MRC Parties being willing to execute the proposed Contribution Agreement and other documents requested of them in connection with the proposed merger of a wholly-owned subsidiary of Alloy Online, Inc. into and with Kubic Marketing, Inc. (the "Merger").

WHEREAS, the parties wish to resolve amicably certain issues that have arisen in connection with the mark "Central Coast Surfboards";

NOW, THEREFORE, for valuable consideration herein recognized, the parties agree as follows:

I. Pursuant to the Non-Competition Agreement which is herein recognized as valid, the parties hereby amend same as follows: The following is added to the Non-Competition Agreement: "Notwithstanding anything else in this Non-Competition Agreement, Shareholder may make internet sales, even as to Competing Products or Competing Services, so long as the total gross sales therefrom do not exceed \$1,000,000 per year and such sales are of types of products that are offered for sale in Shareholder's retail store." MRC and Chaney agree that Phase Three may have independent auditors reasonably acceptable to Chaney, who agree to execute MRC's standard non-disclosure agreement, audit books and records related to Shareholder's gross sales not more than once per year, during MRC's normal business hours and upon notice of five (5) business days. Such inspection shall be at Phase Three's expense; however, if the audit reveals MRC and/or Chaney are in breach of this Agreement, MRC and Chaney shall reimburse Phase Three for the reasonable costs of such audit. For purposes hereof, "Shareholder" shall have the meaning specified in the Non-Competition Agreement.

II. In connection with the registered trademark numbers 2338365 and 2332567 held by Phase Three, for the marks "CCS" and "CCS MAILORDER", respectively, in connection with which the Patent and Trademark Office has associated the pseudo mark "Central Coast Surfboards":

A) Phase Three Parties agree and acknowledge that they hold no right to the mark or pseudo mark "Central Coast Surfboards" as set forth in said Registrations;

B) Phase Three Parties will execute and deliver to MRC any documents required by the Patent and Trademark Office to effect release, disclaimer, elimination, and/or assignment of "Central Coast Surfboards" by the Phase Three Parties as a pseudo mark under said registrations;

C) By July 20, 2000, Phase Three will execute and deliver to MRC the PTO Recording Cover Sheet-Change of Name in form attached hereto as Exhibit B, along with a certified copy of its amended articles of incorporation filed June 19, 2000, which MRC may file with the Patent and Trademark Office forthwith.

D) Phase Three Parties will further reasonably cooperate with MRC Parties, including the execution by any of Phase Three Parties of all required documents as holders of the above marks or pseudo marks, as or if required by the Patent and Trademark Office to permit MRC or its designee to register the mark "Central Coast Surfboards" on the Principal Register, it being understood that this shall not require (i) any of the Phase Three Parties to surrender any interest in the registered trademark numbers 2338365 and 2332567 held by Phase Three for the marks "CCS" and "CCS MAILORDER" nor (ii) any of the Phase Three Parties to incur any obligations or surrender any right to any third parties.

III. Phase Three will provide to MRC, prior to closing of the Merger, a letter from Alloy Online, Inc. in the form attached hereto as Exhibit C and the MRC Parties shall countersign such letter as required therein.

IV. Phase Three hereby provides to MRC a certified copy of its amended articles of incorporation, evidencing the change of Phase Three's name from Central Coast Surfboards, Inc. to Phase Three, Inc.

V. Phase Three has changed its payroll checks to reflect its name change from Central Coast Surfboards, Inc. to Phase Three, Inc. but has included the phrase "fka Central Coast Surfboards", an example of which is attached hereto as Exhibit D. Phase Three may use said present payroll checks through July 31, 2000, at which time it will destroy its remaining stock of said checks and cause new ones to be reprinted or otherwise created, not containing the words "Central Coast Surfboards" or "Central Coast Surfboards, Inc.", in any form. If its payroll checks after July 31, 2000 or its other checks after August 31, 2000 contain the words "Central Coast Surfboards" or "Central Coast Surfboards, Inc.", in any form, regardless of whether accompanied by "fka", "formerly known as", or any other adjective, modifier, or explanatory text, Phase Three will be liable to the MRC Parties for liquidated damages of \$5,000 (in aggregate) for every week or portion thereof after such applicable date that use willfully continues. In the event of a claimed breach of this Section -V, the issue of whether a breach of this Section V has occurred and whether use has willfully continued, but not the amount of damages for such breach and willful use (which shall be fixed as set forth in this Agreement), shall be determined by binding arbitration in San Luis Obispo County.

VI. Phase Three Parties warrant and agree that all other instances of the continued use of the name "Central Coast Surfboards" and "Central Coast Surfboards, Inc.", will have ceased by July 20, 2000. MRC will give Phase Three and Alloy Online, Inc. written notice of any claimed instances of continued violation, and if such instance of use willfully continues for more than 10 days after such notice, Phase Three will be liable for liquidated damages of \$5,000 (in aggregate) for every week after such 10th day that such noticed use willfully continues. In the event of a claimed breach of this Section VI, the issue of whether a breach of this Section VI has occurred and whether use has willfully continued, but not the amount of damages for such breach and willful use (which shall be fixed as set forth in this Agreement), shall be determined by binding arbitration in San Luis Obispo County.

VII. The parties do hereby fully release and forever discharge each other and each of them, their officers, directors, shareholders, employees, affiliated entities, agents, heirs of money, executors, administrators, successors, and/or assigns as the case may be, from any and all demands, manners of action, causes of action, suits, debts, dues, sums accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, infringements, damages, judgments, claims and demands whatsoever, through the date of this agreement which were or could have been asserted, in connection with the claimed breach by Phase Three of the Asset Contribution Agreement by failing to change its name from Central Coast Surfboards or any other use by any of the Phase Three Parties of the mark "Central Coast Surfboards." Nothing in this Release is intended to waive or release any such breaches of the Asset Contribution Agreement that occur after this date, or any breaches of this Agreement.

VIII. The initial press release statement made by Alloy Online, Inc. or any of the Phase Three Parties announcing the merger of a wholly-owned subsidiary of Alloy Online, Inc. with Kubic Marketing will not contain the name "Central Coast Surfboards" or "Central Coast Surfboards, Inc." The Phase Three Parties shall provide a draft of such press statement to MRC materially in the form ultimately released to the public for the purposes of providing assurances to MRC that this Section VI will not be breached. In the event such initial press statement, or other announcement or communication directed to the general public regarding the acquisition of Phase Three made by any of the Phase Three Parties or by Alloy Online, Inc. or any of their affiliates, includes the name "Central Coast Surfboards" or "Central Coast Surfboards, Inc.," Phase Three (in the case of a breach by Phase Three, Kubic, or Alloy Online, Inc. or affiliates) or SWI (in the case of a breach by SWI or affiliates) shall be liable to the MRC Parties for liquidated damages in the amount of \$20,000 (in aggregate). In the event of a claimed breach of this Section VIII, the issue of whether a breach occurred, but not the amount of damages for such breach (which shall be fixed as set forth in this Agreement), shall be determined by binding arbitration in San Luis Obispo County. The parties agree that mandatory or reasonable appearance in legal, financial, or SEC filings or similar documents of the name "Central Coast Surfboards, Inc." as describing the former corporate name of Phase Three shall not be deemed a breach of this Section VIII or any other provision of this Agreement.

IX. Nothing in any new conveyance, acquisition or merger document executed by Phase Three Parties with Alloy Online or any of its affiliates, or in any document executed by any of the parties in connection with the formation of SWI Holdings, LLC, is intended to release, supersede, amend, or terminate any existing agreements between any Phase Three Parties and


any of the MRC Parties (with the exception of the Promissory Note and Kubic stock held by Chaney Trust), specifically including all Noncompetition Agreements entered into by any of the Phase Three Parties in favor of Chaney Trust or MRC Surfco, Inc., or any obligations under same of any Phase Three parties to any MRC Party.

X. In the interests of accommodating the desire of Phase Three parties to consummate their proposed transaction with Alloy Online, Inc., MRC Parties will not insist on execution of a document by Alloy Online, Inc., expressing its approval for Phase Three Parties to make the agreements and amendments set forth herein. In exchange therefor, however, Phase Three parties agree to indemnify MRC Parties from any claims by Alloy Online, Inc., that any of the transactions set forth herein were a breach of any agreement with it, or unauthorized by it.

XI. All notices to be sent to Phase Three hereunder shall be sent to Phase Three, Inc., 2701 McMillan Road, San Luis Obispo, California 93401, attn: Mike Adamski or to such other address or person as Phase Three may request upon 10 days prior written notice to MRC. All notices to Alloy Online, Inc. hereunder shall be sent to Alloy Online, Inc. at 151 West 26th Street, 11th Floor, New York, New York 10001, attn: Sam Gradess or to such other address or person as Alloy Online, Inc. may request upon 10 days prior written notice to MRC.

IN WITNESS THEREOF, the parties hereto have caused their names to be subscribed and have executed this agreement as of the date first set forth above.


PHASE THREE, INC.

By: 
Frank Messmann
Vice President

MRC SURFCO, INC.

By: _____
Michael R. Chaney, President

SKATEBOARD WORLD INDUSTRIES, INC.

By: 
Frank Messmann
Chief Executive Officer

**MICHAEL R. CHANEY, AS TRUSTEE OF THE
MICHAEL RAY CHANEY INTERVIVOS TRUST
OF SEPTEMBER 6, 1996**

Michael R. Chaney, Trustee

KUBIC MARKETING, INC.

By: 
Frank Messmann
Chief Executive Officer

MICHAEL R. CHANEY

Michael R. Chaney