

02-15-2001



1.30-01

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**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 Document ID # (Non-Recordation)

Correction of PTO Error
Reel # Frame #

Corrective Document
Reel # Frame #

Conveyance Type

Assignment **License**

Security Agreement **Nunc Pro Tunc Assignment**

Merger **Effective Date**
Month Day Year

Change of Name

Other

Conveying Party

Mark if additional names of conveying parties attached

Name **Execution Date**
Month Day Year

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/AK/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

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

Corporation **Association**

Other

Citizenship/State of Incorporation/Organization

FOR OFFICE USE ONLY

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01 FC:481 40.00 01

02 FC:452 150.00 01

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

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U.S. Department of Commerce
Patent and Trademark Office
TRADEMARK

Domestic Representative Name and Address

Enter for the First Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

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

Trademark Application Number(s) or Registration Number(s) Mark if additional numbers attached

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

Trademark Application Number(s)

Registration Number(s)

Number of Properties Enter the total number of properties involved. #

Fee Amount Fee Amount for Properties Listed (37 CFR 3.41): \$

Method of Payment: Enclosed Deposit Account

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

Authorization to charge additional fees: Yes No

Statement and Signature

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

Michael L. Hawkins
Name of Person Signing


Signature

01/30/01
Date Signed

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement"), dated as of January 26, 2001, is made between Kareem Campbell (the "Borrower") and Industry Threat, a California corporation (the "Lender").

The Borrower and the Lender are parties to an Agreement for the Purchase and Sale of Assets, dated as of the date hereof (as amended, modified, renewed or extended from time to time, the "Asset Purchase Agreement"). Under the Asset Purchase Agreement, the Borrower is purchasing from the Lender certain assets, and in payment of a portion of the consideration therefor, the Borrower is delivering to the Lender the Secured Promissory Note of the Borrower in the original principal amount of \$130,000 (the "Promissory Note"). It is a condition precedent to the transactions under the Asset Purchase Agreement that the Borrower enter into this Agreement and grant to the Lender the security interests hereinafter provided to secure the obligations of the Borrower described below.

Accordingly, the parties hereto agree as follows:

SECTION 1. DEFINITIONS; INTERPRETATION.

(a) **TERMS DEFINED IN ASSET PURCHASE AGREEMENT.** All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Asset Purchase Agreement.

(b) **CERTAIN DEFINED TERMS.** As used in this Agreement, the following terms shall have the following meanings:

"ACCOUNTS" means any and all accounts of the Borrower, whether now existing or hereafter acquired or arising, and in any event includes all accounts receivable, contract rights, rights to payment and other obligations of any kind owed to the Borrower arising out of or in connection with the use of the Intellectual Property Collateral.

"BOOKS" means all books, records and other written, electronic or other documentation in whatever form maintained now or hereafter by or for the Borrower in connection with the ownership of the Collateral or evidencing or containing information relating to the Collateral, including: (i) ledgers; (ii) records indicating, summarizing, or evidencing the Borrower's assets, business operations or financial condition; (iii) computer programs and software; (iv) computer discs, tapes, files, manuals, spreadsheets; (v) computer printouts and output of whatever kind; (vi) any other computer prepared or electronically stored, collected or reported information and equipment of any kind; and (vii) any and all other rights now or hereafter arising out of any contract or agreement between the Borrower and any service bureau, computer or data processing company or other Person charged with preparing or maintaining any of the Borrower's books or records or with credit reporting.

"COLLATERAL" has the meaning set forth in Section 2.

“EVENT OF DEFAULT” means (a) an event of default under the Promissory Note or (b) failure of Borrower to comply with the Lease Agreements (as defined in the Asset Purchase Agreement) set forth in Section 6(d) of the Asset Purchase Agreement.

“FINANCING STATEMENTS” has the meaning set forth in Section 3.

“INTELLECTUAL PROPERTY COLLATERAL” means the following properties and assets owned or held by the Borrower or in which the Borrower otherwise has any interest, now existing or hereafter acquired or arising, in each case constituting Purchased Assets or derived from the Purchased Assets:

(i) all patents and patent applications, domestic or foreign, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses (including such patents, patent applications and patent licenses as described in Schedule 1), all rights to sue for past, present or future infringement thereof, all rights arising therefrom and pertaining thereto and all reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof;

(ii) all copyrights and applications for copyright, domestic or foreign, together with the underlying works of authorship (including titles), whether or not the underlying works of authorship have been published and whether said copyrights are statutory or arise under the common law, and all other rights and works of authorship (including the copyrights and copyright applications described in Schedule 1), all rights, claims and demands in any way relating to any such copyrights or works, including royalties and rights to sue for past, present or future infringement, and all rights of renewal and extension of copyright;

(iii) all state (including common law), federal and foreign trademarks, service marks and trade names, and applications for registration of such trademarks, service marks and trade names, all licenses relating to any of the foregoing and all income and royalties with respect to any licenses (including such marks, names, applications and licenses as described in Schedule 1), whether registered or unregistered and wherever registered, all rights to sue for past, present or future infringement or unconsented thereof, all rights arising therefrom and pertaining thereto and all reissues, extensions and renewals thereof;

(iv) all trade secrets, trade dress, trade styles, logos, other source of business identifiers, mask-works, mask-work registrations, mask-work applications, software, confidential information, customer lists, license rights, advertising materials, operating manuals, methods, processes, know-how, algorithms, formulae, databases, quality control procedures, product, service and technical specifications, operating, production and quality control manuals, sales literature, drawings, specifications, blue prints, descriptions, inventions, name plates and catalogs; and

(v) the entire goodwill of or associated with the businesses now or hereafter conducted by the Borrower connected with and symbolized by any of the aforementioned properties and assets.

“LIENS” means any lien, encumbrance, security interest, pledge, or charge on or with respect to any of the Collateral.

“PERMITTED LIENS” means Liens for (i) statutory Liens not yet delinquent; (ii) Liens for taxes not yet delinquent or the validity of which are being contested in good faith by appropriate proceedings; (iii) Liens granted to the Lender hereunder; and (iv) Liens arising under licenses of Intellectual Property Collateral which licenses are permitted under this Agreement.

“PROCEEDS” means whatever is receivable or received from or upon the sale, lease, license, collection, use, exchange or other disposition, whether voluntary or involuntary, of any Collateral, including “proceeds” as defined at UCC Section 9306, any and all proceeds of any insurance, indemnity, warranty or guaranty payable to or for the account of the Borrower from time to time with respect to any of the Collateral, any and all payments (in any form whatsoever) made or due and payable to the Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any Person acting under color of governmental authority), any and all other amounts from time to time paid or payable under or in connection with any of the Collateral or for or on account of any damage or injury to or conversion of any Collateral by any Person, any and all other tangible or intangible property received upon the sale or disposition of Collateral, and all proceeds of proceeds.

“PURCHASED ASSETS” means those assets acquired by the Borrower from the Lender under the Asset Purchase Agreement.

“RIGHTS TO PAYMENT” means all Accounts arising out of the Intellectual Property Collateral, and any and all rights and claims to the payment or receipt of money or other forms of consideration of any kind arising out of the Intellectual Property Assets.

“SECURED OBLIGATIONS” means the indebtedness, liabilities and other obligations of the Borrower to the Lender under or in connection with (a) the Borrower’s obligations under Section 6(d) of the Asset Purchase Agreement (the “Lease Agreements”) or (b) the Promissory Note, including (a) all amounts due or payable by Buyer under the Lease Agreements and (b) all unpaid principal of the Promissory Note, all interest accrued thereon, all fees due under the Promissory Note and all other amounts payable by the Borrower to the Lender thereunder, hereunder or in connection therewith, whether now existing or hereafter arising, and whether due or to become due, absolute or contingent, liquidated or unliquidated, determined or undetermined.

“UCC” means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of California; provided, however, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of California, the term “UCC” shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

(c) TERMS DEFINED IN UCC. Where applicable and except as otherwise defined herein, terms used in this Agreement shall have the meanings assigned to them in the UCC.

SECTION 2. SECURITY INTEREST.

(a) **GRANT OF SECURITY INTEREST.** As security for the payment and performance of the Secured Obligations, the Borrower hereby pledges, assigns, transfers, hypothecates and sets over to the Lender, and hereby grants to the Lender a security interest in, all of the Borrower's right, title and interest in, to and under the following property, wherever located and whether now existing or owned or hereafter acquired or arising (collectively, the "Collateral"): (i) the Intellectual Property Collateral; (ii) all Books; and (iii) all products and Proceeds of any and all of the foregoing.

(b) **BORROWER REMAINS LIABLE.** Anything herein to the contrary notwithstanding, (i) the Borrower shall remain liable under any contracts, agreements and other documents included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (ii) the exercise by the Lender of any of the rights hereunder shall not release the Borrower from any of its duties or obligations under such contracts, agreements and other documents included in the Collateral and (iii) the Lender shall not have any obligation or liability under any contracts, agreements and other documents included in the Collateral by reason of this Agreement, nor shall the Lender be obligated to perform any of the obligations or duties of the Borrower thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Collateral hereunder.

(c) **CONTINUING SECURITY INTEREST.** The Borrower agrees that this Agreement shall create a continuing security interest in the Collateral which shall remain in effect until terminated in accordance with Section 19.

SECTION 3. PERFECTION PROCEDURES.

(a) **FINANCING STATEMENTS, ETC.** The Borrower shall execute and deliver to the Lender concurrently with the execution of this Agreement, and at any time and from time to time thereafter, all financing statements, continuation financing statements, termination statements, security agreements, chattel mortgages, assignments, patent, copyright and trademark collateral assignments, fixture filings, warehouse receipts, documents of title, affidavits, reports, notices, schedules of account, letters of authority and all other documents and instruments, in form satisfactory to the Lender (the "Financing Statements"), and take all other action, as the Lender may reasonably request, to perfect and continue perfected, maintain the priority of or provide notice of the Lender's security interest in the Collateral and to accomplish the purposes of this Agreement.

(b) **CERTAIN AGENTS.** Any third person at any time and from time to time holding all or any portion of the Collateral shall be deemed to, and shall, hold the Collateral as the agent of, and as pledge holder for, the Lender. At any time and from time to time, the Lender may give notice to any third person holding all or any portion of the Collateral that such third person is holding the Collateral as the agent of, and as pledge holder for, the Lender.

SECTION 4. REPRESENTATIONS AND WARRANTIES. In addition to the representations and warranties of the Borrower set forth in the Asset Purchase Agreement, which are incorporated herein by this reference, the Borrower represents and warrants to the Lender that:

(a) **LOCATION OF CHIEF EXECUTIVE OFFICE AND COLLATERAL.** The Borrower's residence and principal place of business is located at the address set forth in Schedule 1, and all other locations where the Borrower conducts business or Collateral is kept are set forth in Schedule 1.

(b) **LOCATIONS OF BOOKS.** All locations where Books pertaining to the Rights to Payment are kept, including all equipment necessary for accessing such Books and the names and addresses of all service bureaus, computer or data processing companies and other Persons keeping any Books or collecting Rights to Payment for the Borrower, are set forth in Schedule 1.

(c) **TRADE NAMES AND TRADE STYLES.** All trade names and trade styles under which the Borrower presently conducts his business operations are set forth in Schedule 1, and, except as set forth in Schedule 1, the Borrower has not, at any time in the past: (i) been known as or used any other corporate, trade or fictitious name; (ii) changed his name; or (iii) acquired through asset purchase or otherwise any business of any Person.

(d) **OWNERSHIP OF COLLATERAL.** The Borrower is, and, except as permitted by Section 5(h), will continue to be, the sole and complete owner of the Collateral (or, in the case of after-acquired Collateral, at the time the Borrower acquires rights in such Collateral, will be the sole and complete owner thereof), free from any Lien other than Permitted Liens.

(e) **ENFORCEABILITY; PRIORITY OF SECURITY INTEREST.** (i) This Agreement creates a security interest against the Collateral in which the Borrower now has rights and will create a security interest which is enforceable against the Collateral in which the Borrower hereafter acquires rights at the time the Borrower acquires any such rights; and (ii) the Lender has a perfected and first priority security interest in the Collateral located in the United States, in which the Borrower now has rights, and will have a perfected and first priority security interest in the Collateral located in the United States in which the Borrower hereafter acquires rights at the time the Borrower acquires any such rights, in each case securing the payment and performance of the Secured Obligations except for Permitted Liens.

(f) **OTHER FINANCING STATEMENTS.** Other than (i) Financing Statements disclosed to the Lender and (ii) Financing Statements in favor of the Lender, no effective Financing Statement naming the Borrower as debtor, assignor, grantor, mortgagor, pledgor or the like and covering all or any part of the Collateral is on file in any filing or recording office in any jurisdiction.

SECTION 5. COVENANTS. In addition to the covenants of the Borrower set forth in the Asset Purchase Agreement, which are incorporated herein by this reference, so long as any of the Secured Obligations remain unsatisfied, the Borrower agrees that:

(a) **DEFENSE OF COLLATERAL.** The Borrower will appear in and defend any action, suit or proceeding which may affect to a material extent its title to, or right or interest in, or the Lender's right or interest in, the Collateral.

(b) **PRESERVATION OF COLLATERAL.** The Borrower will do and perform all reasonable acts that may be necessary and appropriate to maintain, preserve and protect the Collateral.

(c) **COMPLIANCE WITH LAWS, ETC.** The Borrower will comply with all material laws, regulations and ordinances, and all policies of insurance, relating to the possession, operation, maintenance and control of the Collateral.

(d) **LOCATION OF BOOKS AND CHIEF EXECUTIVE OFFICE.** The Borrower will: (i) keep all Books pertaining to the Rights to Payment at the locations set forth in Schedule 1; and (ii) give at least 30 days' prior written notice to the Lender of (A) any changes in any such location where Books pertaining to the Rights to Payment are kept, including any change of name or address of any service bureau, computer or data processing company or other Person preparing or maintaining any Books or collecting Rights to Payment for the Borrower or (B) any changes in the location of the Borrower's chief executive office or principal place of business.

(e) **LOCATION OF CERTAIN COLLATERAL.** The Borrower will: (i) keep the Collateral constituting tangible personal property at the locations set forth in Schedule 1 and not remove such property from such locations, except upon at least 30 days' prior written notice of any removal to the Lender; and (ii) give the Lender at least 30 days' prior written notice of any change in the locations set forth in Schedule 1.

(f) **CHANGE IN NAME, IDENTITY OR STRUCTURE.** The Borrower will give at least 30 days' prior written notice to the Lender of (i) any change in name, (ii) any changes in, additions to or other modifications of its trade names and trade styles set forth in Schedule 1, and (iii) any changes in its identity or structure in any manner which might make any Financing Statement filed hereunder incorrect or misleading.

(g) **MAINTENANCE OF RECORDS.** The Borrower will keep separate, accurate and complete Books with respect to the Collateral, disclosing the Lender's security interest hereunder.

(h) **DISPOSITION OF COLLATERAL.** The Borrower will not surrender or lose possession of (other than to the Lender), sell, lease, rent, or otherwise dispose of or transfer any of the Collateral or any right or interest therein, except for (i) sales of inventory in the ordinary course of business, (ii) subject to compliance with the terms of Section 16(p) of the Asset Purchase Agreement, transfers permitted by Section 16(p) of the Asset Purchase Agreement or (iii) Permitted Licensing Transactions. For purposes of this Agreement, "Permitted Licensing Transactions" means a license by the Borrower of any Intellectual Property Collateral which satisfies each of the following conditions: (i) the license must be non-exclusive; (ii) the license must not be for a term (including any renewal rights of the licensee) in excess of the stated maturity date of the Promissory Note; and (iii) the license must not be with an "affiliate" of the Borrower of a party related to the Borrower or under the "control" of the Borrower (with the terms "affiliate" and "control" having the meanings given those terms under the federal securities laws of the United States). If the Borrower enters into a Permitted Licensing Transaction under which the Borrower receives a payment of a licensing fee not based on past product sales or other similar criteria (an "Up Front License Payment"), then the Borrower shall use 100% of the Up Front License Payment to prepay the Promissory Note within five days after the receipt by the Borrower of such Up Front License Payment.

(i) **LIENS.** The Borrower will keep the Collateral free of all Liens, except Permitted Liens.

(j) **EXPENSES.** The Borrower will pay all expenses of protecting, storing, warehousing, insuring, handling and shipping the Collateral.

(k) **LEASED PREMISES.** At the Lender's request, the Borrower will obtain from each Person from whom the Borrower leases any premises at which any Collateral is at any time present such subordination, waiver, consent and estoppel agreements as the Lender may reasonably require, in form and substance reasonably satisfactory to the Lender.

(l) **INTELLECTUAL PROPERTY COLLATERAL.** The Borrower will:

(i) not enter into any agreement (including any license or royalty agreement) pertaining to any material Intellectual Property Collateral, except for Permitted Licensing Transactions;

(ii) not allow or suffer any material Intellectual Property Collateral to become abandoned, nor any registration thereof to be terminated, forfeited, expired or dedicated to the public; and

(iii) diligently prosecute all applications for material patents, copyrights and trademarks, and file and prosecute any and all continuations, continuations-in-part, applications for reissue, applications for certificate of correction and like matters as shall be reasonable and appropriate in accordance with prudent business practice, and promptly and timely pay any and all maintenance, license, registration and other fees, taxes and expenses incurred in connection with such Intellectual Property Collateral.

(m) **NOTICES, REPORTS AND INFORMATION.** The Borrower will (i) notify the Lender of any other modifications of or additions to the information contained in Schedule I; (ii) notify the Lender of any material claim made or asserted against the Collateral by any Person and of any change in the composition of the Collateral or other event which could materially adversely affect the value of the Collateral or the Lender's Lien thereon; and (iii) furnish to the Lender such statements and schedules further identifying and describing the Collateral and such other reports and other information in connection with the Collateral as the Lender may reasonably request, all in reasonable detail.

SECTION 6. AUTHORIZATION; LENDER APPOINTED ATTORNEY-IN-FACT. The Lender shall have the right to, in the name of the Borrower, or in the name of the Lender or otherwise, without notice to or assent by the Borrower, and the Borrower hereby constitutes and appoints the Lender (and any of Lender's officers, employees or agents designated by Lender) as the Borrower's true and lawful attorney-in-fact, with full power and authority to:

(i) sign any of the Financing Statements which must be executed or filed to perfect or continue perfected, maintain the priority of or provide notice of the Lender's security interest in the Collateral;

(ii) Upon the occurrence and during the continuance of an Event of Default:

(A) take possession of and endorse any notes, acceptances, checks, drafts, money orders or other forms of payment or security and collect any Proceeds of any Collateral;

(B) sign and endorse any invoice or bill of lading relating to any of the Collateral, warehouse or storage receipts, drafts against customers or other obligors, assignments, notices of assignment, verifications and notices to customers or other obligors;

(C) send requests for verification of Rights to Payment to the customers or other obligors of the Borrower;

(D) contact, or direct the Borrower to contact, all account debtors and other obligors on the Rights to Payment and instruct such account debtors and other obligors to make all payments directly to the Lender;

(E) assert, adjust, sue for, compromise or release any claims under any policies of insurance;

(F) notify each Person maintaining lockbox or similar arrangements for the payment of the Rights to Payment to remit all amounts representing collections on the Rights to Payment directly to the Lender;

(G) ask, demand, collect, receive and give acquittances and receipts for any and all Rights to Payment, enforce payment or any other rights in respect of the Rights to Payment and other Collateral, grant consents, agree to any amendments, modifications or waivers of the agreements and documents governing the Rights to Payment and other Collateral, and otherwise file any claims, take any action or institute, defend, settle or adjust any actions, suits or proceedings with respect to the Collateral, as the Lender may deem necessary or desirable to maintain, preserve and protect the Collateral, to collect the Collateral or to enforce the rights of the Lender with respect to the Collateral;

(H) execute any and all applications, documents, papers and instruments necessary for the Lender to use the Intellectual Property Collateral and grant or issue any exclusive or non-exclusive license or sublicense with respect to any Intellectual Property Collateral;

(I) execute any and all endorsements, assignments or other documents and instruments necessary to sell, lease, assign, convey or otherwise transfer title in or dispose of the Collateral; and

(J) execute any and all such other documents and instruments, and do any and all acts and things for and on behalf of the Borrower, which the Lender may deem necessary or advisable to maintain, protect, realize upon and preserve the Collateral and the Lender's security interest therein and to accomplish the purposes of this Agreement.

The foregoing power of attorney is coupled with an interest and irrevocable so long as the Secured Obligations have not been paid and performed in full. The Borrower hereby ratifies, to

the extent permitted by law, all that the Lender shall lawfully and in good faith do or cause to be done by virtue of and in compliance with this Section 6.

SECTION 7. LENDER PERFORMANCE OF BORROWER OBLIGATIONS. The Lender may perform or pay any obligation which the Borrower has agreed to perform or pay under or in connection with this Agreement, and the Borrower shall reimburse the Lender on demand for any amounts paid by the Lender pursuant to this Section 7 to the extent permitted by applicable law.

SECTION 8. LENDER'S DUTIES. Notwithstanding any provision contained in this Agreement, the Lender shall have no duty to exercise any of the rights, privileges or powers afforded to them and shall not be responsible to the Borrower or any other Person for any failure to do so or delay in doing so. Beyond the exercise of reasonable care to assure the safe custody of Collateral in the Lender's possession and the accounting for moneys actually received by the Lender hereunder, the Lender shall have no duty or liability to exercise or preserve any rights, privileges or powers pertaining to the Collateral to the extent permitted by applicable law.

SECTION 9. REMEDIES.

(a) **REMEDIES.** Upon the occurrence and during the continuance of any Event of Default, the Lender shall have, in addition to all other rights and remedies granted to it in this Agreement, the Asset Purchase Agreement or the Promissory Note, all rights and remedies of a secured party under the UCC and other applicable laws. Without limiting the generality of the foregoing, the Borrower agrees that to the extent permitted by applicable law:

(i) The Lender may peaceably and without notice enter any premises of the Borrower, take possession of any the Collateral, remove or dispose of all or part of the Collateral on any premises of the Borrower or elsewhere, and otherwise collect, receive, appropriate and realize upon all or any part of the Collateral, and demand, give receipt for, settle, renew, extend, exchange, compromise, adjust, or sue for all or any part of the Collateral, as the Lender may determine.

(ii) The Lender may require the Borrower to assemble all or any part of the Collateral and make it available to the Lender at any place and time designated by the Lender.

(iii) The Lender may use or transfer any of the Borrower's rights and interests in any Intellectual Property Collateral, by license, by sublicense (to the extent permitted by an applicable license) or otherwise, on such conditions and in such manner as the Lender may determine.

(iv) The Lender may secure the appointment of a receiver of the Collateral or any part thereof (to the extent and in the manner provided by applicable law).

(v) The Lender may sell, resell, lease, use, assign, transfer or otherwise dispose of any or all of the Collateral in its then condition or following any commercially reasonable preparation or processing (utilizing in connection therewith any of the Borrower's assets, without charge or liability to the Lender therefor) at public or private sale, by one or more contracts, in one or more parcels, at the same or different times, for cash or credit, or for future delivery

without assumption of any credit risk, all as the Lender deems advisable; provided, however, that the Borrower shall be credited with the net proceeds of sale only when such proceeds are finally collected by the Lender. The Lender shall have the right upon any such public sale, and, to the extent permitted by law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption, which right or equity of redemption the Borrower hereby releases, to the extent permitted by law. The Borrower hereby agrees that the sending of notice by ordinary mail, postage prepaid, to the address of the Borrower set forth in the Asset Purchase Agreement, of the place and time of any public sale or of the time after which any private sale or other intended disposition is to be made, shall be deemed reasonable notice thereof if such notice is sent ten days prior to the date of such sale or other disposition or the date on or after which such sale or other disposition may occur, provided that the Lender may provide the Borrower shorter notice or no notice, to the extent permitted by the UCC or other applicable law.

(b) **LICENSE.** For the purpose of enabling the Lender to exercise its rights and remedies under this Section 9 or otherwise in connection with this Agreement, the Borrower hereby grants to the Lender an irrevocable, non-exclusive and assignable license (exercisable without payment or royalty or other compensation to the Borrower) to use, license or sublicense any Intellectual Property Collateral, except to the extent a grant of such license would violate the terms of an existing agreement to which the Borrower is a party.

(c) **APPLICATION OF PROCEEDS.** The cash proceeds actually received from the sale or other disposition or collection of Collateral, and any other amounts received in respect of the Collateral the application of which is not otherwise provided for herein, shall be applied (i) first, to any fees, costs, expenses and other amounts (other than principal and interest) then due to the Lender under the Promissory Note; (ii) second, to accrued and unpaid interest due the Lender; and (iii) third, to principal due the Lender. Any surplus thereof which exists after payment and performance in full of the Secured Obligations shall be promptly paid over to the Borrower or otherwise disposed of in accordance with the UCC or other applicable law. The Borrower shall remain liable to the Lender for any deficiency which exists after any sale or other disposition or collection of Collateral to the extent permitted by applicable law.

SECTION 10. CERTAIN WAIVERS. The Borrower waives, to the fullest extent permitted by law, (i) any right of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling of the Collateral or other collateral or security for the Secured Obligations; and (ii) any right to require the Lender (A) to proceed against any Person, (B) to exhaust any other collateral or security for any of the Secured Obligations, (C) to pursue any remedy in the Lender's power, or (D) to make or give any presentments, demands for performance, notices of nonperformance, protests, notices of protests or notices of dishonor in connection with any of the Collateral.

SECTION 11. NOTICES. All notices or other communications hereunder shall be given in the manner and to the addresses specified in the Asset Purchase Agreement. All such notices and other communications shall be effective (i) if delivered by hand, when delivered; (ii) if sent by mail, upon the earlier of the date of receipt or five Business Days after deposit in the mail, first class (or air mail, with respect to communications to be sent to or from the United States); and (iii) if sent by facsimile transmission, when sent.

SECTION 12. NO WAIVER; CUMULATIVE REMEDIES. No failure on the part of the Lender to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under this Agreement are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to the Lender.

SECTION 13. COSTS AND EXPENSES; INDEMNIFICATION; OTHER CHARGES.

(a) **COSTS AND EXPENSES.** The Borrower agrees to pay on demand all costs and expenses of the Lender and its Affiliates, and the reasonable fees and disbursements of counsel, in connection with the enforcement or attempted enforcement of, and preservation of any rights or interests under, this Agreement, including in any out-of-court workout or other refinancing or restructuring or in any bankruptcy case, and the protection, sale or collection of, or other realization upon, any of the Collateral, including all expenses of taking, collecting, holding, sorting, handling, preparing for sale, selling, or the like, and other such expenses of sales and collections of Collateral, and any and all losses, costs and expenses sustained by the Lender as a result of any failure by the Borrower to perform or observe its obligations contained herein.

(b) **INTEREST.** Any amounts payable to the Lender under this Section 13 or otherwise under this Agreement if not paid upon demand shall bear interest from the date of such demand until paid in full, at the rate of interest set forth in the Promissory Note.

SECTION 14. BINDING EFFECT. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the Borrower, the Lender and their respective successors and assigns.

SECTION 15. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA, EXCEPT AS REQUIRED BY MANDATORY PROVISIONS OF LAW AND TO THE EXTENT THE VALIDITY OR PERFECTION OF THE SECURITY INTERESTS HEREUNDER, OR THE REMEDIES HEREUNDER, IN RESPECT OF ANY COLLATERAL ARE GOVERNED BY THE LAW OF A JURISDICTION OTHER THAN CALIFORNIA.

SECTION 16. ENTIRE AGREEMENT; AMENDMENT. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and shall not be amended except by the written agreement of the parties. The Borrower may assign this Agreement in accordance with the requirements of the Asset Purchase Agreement to any entity to whom the Borrower transfers all of the Collateral, provided, that the transferee enters into documentation, including Financing Statements, approved by the Lender maintaining the Lender's first priority security interest in the Collateral and the Borrower pays for the Lender's reasonable costs, expenses and filing fees, including fees of counsel, relating to recordation or perfection of the Lender's security interest in the Collateral.

SECTION 17. SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under all applicable laws and regulations. If, however, any provision of this Agreement shall be prohibited by or invalid under any such law or regulation in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law or regulation, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of this Agreement, or the validity or effectiveness of such provision in any other jurisdiction.

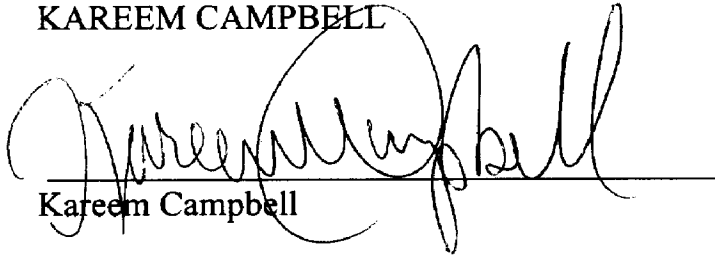
SECTION 18. COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

SECTION 19. TERMINATION. Upon payment and performance in full of all Secured Obligations, this Agreement shall terminate and the Lender shall promptly execute and deliver to the Borrower such documents and instruments reasonably requested by the Borrower as shall be necessary to evidence termination of all security interests given by the Borrower to the Lender hereunder.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, as of the date first above written.

THE BORROWER


KAREEM CAMPBELL



Kareem Campbell

THE LENDER

INDUSTRY THREAT

By: 
Title: CFO

SCHEDULE I

LOCATION OF COLLATERAL

Kareem Campbell 20662 Haynes Street Canoga Park, California 91306	Daniel W. Heath D.W. Heath & Associates 3 Pointe Drive, Suite 117 Brea, California 92821
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REGISTERED TRADE MARKS AND TRADEMARK APPLICATIONS

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Argentina	AXION	28		Hold
Argentina	AXION	25	2145755	Pending
Argentina	TRIANGLE DESIGN	28	1729028	Registered
Argentina	TRIANGLE DESIGN	25	1729029	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Australia	AXION	25, 28	753878	Registered
Australia	TRIANGLE DESIGN	25, 28	753879	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Benelux	AXION	18, 25, 28	632336	Registered
Benelux	TRIANGLE DESIGN	18, 25, 28	632356	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Brazil	AXION	18		Unfiled
Brazil	AXION	25 (10, 20, 60)	820522040	Published
Brazil	TRIANGLE DESIGN	25	820522058	Registered
Brazil	TRIANGLE DESIGN	18		Unfiled

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Canada	AXION	18, 25, 28		Unfiled
Canada	TRIANGLE DESIGN	18, 25, 28	515005	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
China	ACTION & DESIGN	25	1015127	Unfiled
China	AXION	25	9800012655	Pending
China	AXION	28	1278158	Registered
China	TRIANGLE DESIGN	28	1278159	Registered
China	TRIANGLE DESIGN	25	1318295	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Costa Rica	AXION DVS (Opposition)	25	093313	Opposition
Costa Rica	AXION GLOBE (Opposition)	25	093319	Opposition
Costa Rica	AXION REFLEX (Opposition)	25	093318	Opposition
Costa Rica	AXION SHORTYS (Opposition)	25	093317	Opposition
Costa Rica	AXION ZERO (Opposition)	25	093316	Opposition

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
France	AXIO (Opposition) Owner: J.A. E. Sarl	23, 24, 25	98781208	Closed
France	AXION	25, 28	98716348	Registered
France	TRIANGLE DESIGN	25, 28	98722279	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Germany	AXION	25	39655778	Registered
Germany	TRIANGLE DESIGN	18, 25, 28	39807266	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Indonesia	AXIO (Opposition) Owner: Toekimin	25	D98-12573	Opposition
Indonesia	AXION	25	D98-05447	Pending
Indonesia	TRIANGLE DESIGN	25	436608	Registered
Indonesia	TRIANGLE DESIGN	18	436609	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Italy	AXION	25, 28	T098C000670	Pending
Italy	TRIANGLE DESIGN	25, 28	T098C000891	Pending

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Japan	AXION	25	4305901	Registered
Japan	AXION	28	14099/1998	Abandoned
Japan	MENACE	28	3278562	Registered
Japan	TRIANGLE DESIGN	25, 28	4303399	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
South Korea	AXION	25 (Korean Class 45)	441587	Registered
South Korea	AXION	Korean Class 27	98/4824	Pending
South Korea	AXION & DESIGN	Korean Class 27	417531	Registered
South Korea	TRIANGLE DESIGN	Korean Class 27	441775	Registered
South Korea	TRIANGLE DESIGN	25 (Korean Class 45)	441588	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
New Zealand	AXION	28	288014	Registered
New Zealand	AXION	25	288015	Registered
New Zealand	TRIANGLE DESIGN	25	288013	Registered
New Zealand	TRIANGLE DESIGN	28	288012	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Spain	AXION	25	2144711	Published
Spain	AXION	28	2144712	Registered
Spain	AXION (Owned by Red Lantern Distribution)	25	2264793	Published
Spain	TRIANGLE DESIGN	28	2144714	Registered
Spain	TRIANGLE DESIGN	25	2144713	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Sweden	AXION	25, 28	98-00719	Abandoned
Sweden	TRIANGLE DESIGN	25, 28	328209	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Switzerland	AXION	25, 28	453728	Registered
Switzerland	TRIANGLE DESIGN	25, 28	454652	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
Taiwan	AXION	25	00846043	Registered
Taiwan	AXION	28	00846189	Registered
Taiwan	TRIANGLE DESIGN	28	00866083	Registered
Taiwan	TRIANGLE DESIGN	25	00850568	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
United Kingdom	AXION	25, 28	2156539	Registered
United Kingdom	TRIANGLE DESIGN	25, 28	2163037	Registered

<u>COUNTRY</u>	<u>TRADEMARK</u>	<u>CLASS</u>	<u>REGISTRATION/ APPLICATION NUMBER</u>	<u>STATUS</u>
U.S.A.	ALL CITY	25	75/349,074	Abandoned
U.S.A.	ALL CITY	28	75/363,225	Abandoned
U.S.A.	ALL CITY BOARDCO	25, 28	75/612,861	Abandoned
U.S.A.	AXION	25	2,274,754	Registered
U.S.A.	AXION	28	75/456,739	Abandoned
U.S.A.	AXION	25	2,311,160	Registered
U.S.A.	CITY STARS	25, 28	75/616,279	Published
U.S.A.	DON'T TALK ABOUT IT, BE ABOUT IT	16, 18, 25, 28	75/582,520	Published
U.S.A.	KICK AXION	25	2,038,418	Registered
U.S.A.	MNC and DESIGN	18, 25, 28	75/118,801	Abandoned
U.S.A.	TRIANGLE DESIGN	25	2,164,033	Registered
U.S.A.	TRIANGLE DESIGN	18	2,283,740	Registered
U.S.A.	TRIANGLE DESIGN	28	75/456,738	Abandoned