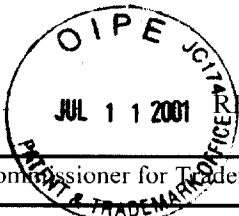


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07-25-2001



101787977

Patent and Trademark Office

Attorney Docket No: PRF1513168

To the Honorable Commissioner for Trademarks: P

original documents or copy thereof.

1. Name of conveying party(ies): 7-1101

Swag Industries

Individuals  Association

General Partnership  Limited Partnership

Corporation-Cayman Islands

Other \_\_\_\_\_

Additional name(s) of conveying party(ies) attached?  Yes  No

2. Name and address of receiving party(ies):

Name: Production Finance International, L.L.C.

Address: 905 West Riverside, Suite 607

City: Spokane State: WA ZIP: 99201

Individual(s) citizenship \_\_\_\_\_

Association State of \_\_\_\_\_

General Partnership State of \_\_\_\_\_

Limited Partnership State of \_\_\_\_\_

Corporation-State State of \_\_\_\_\_

Other Limited Liability Corporation - State of Washington

If assignee is not domiciled in the United States, a domestic representative designation is attached:  Yes  No

(Designation must be a separate document from Assignment)

Additional name(s) & address(es) attached?  Yes  No

3. Nature of conveyance:

Assignment  Merger

Security Agreement  Change of Name

Other \_\_\_\_\_

Execution date: June 4, 2001

4. Application numbers and registration numbers:

A. Trademark Application Nos. 75/871,119; 76/144,314 and 75/583,845

Additional numbers attached?  Yes  No

B. Trademark Registration Nos. 1,994,102 and 1,981,840

5. Name and address of party to whom correspondence concerning document should be mailed.

James R. Uhlir, Esq.  
CHRISTENSEN O'CONNOR  
JOHNSON KINDNESS<sup>PLLC</sup>  
1420 Fifth Avenue  
Suite 2800  
Seattle, WA 98101-2347  
206.682.8100

6. Total number of applications and registrations involved: 5

7. Total fee (37 CFR 3.41):.....\$ 140.00

Check No. 129966 in the amount of \$140.00 is enclosed.

8. The Commissioner is authorized to charge any fees that may be required or credit any overpayment to Deposit Account Number 03-1740.

7/25/2001 10:11:11 00000015 7587119

FC:481 40.00 EP

FC:482 100.00 EP

DO NOT USE THIS SPACE

9. 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.*

James R. Uhlir  
 Name of Attorney or Agent  
 Registration No. 25,096  
 Direct Dial 206.695.1703

Signature

July 5, 2001  
 Date

Total number of pages including cover sheet, attachments and document: 5

OMB No. 0651-0011 (exp. 4/94)

I hereby certify that this correspondence is being deposited with the U.S. Postal Service in a sealed envelope as first class mail with postage thereon fully prepaid addressed to: Commissioner of Patents and Trademarks, Washington, D.C. 20231, on July 5, 2001.

Date: July 5, 2001

**The PTO did not receive the**  
**listed items(s) check for 140**  
**but check 149 enclosed**

PRF15131682491 DOC

TRADEMARK REEL: 2333 FRAME: 0856

## SECURITY AGREEMENT

THIS AGREEMENT is entered into this 4th day of JUNE, 2001, by and between Production Finance International, LLC (hereinafter "PFI"), of Spokane, Washington 99201, a Washington limited liability corporation, and Swag Industries (hereinafter "SWAG"), of Carlsbad, California 92008, a Cayman Islands corporation.

### 1. RECITALS

1.1. SWAG is the owner of rights in the Trademarks listed below (herein after "Trademarks").

1.2. SWAG is parent company of Generator Distribution Company Ltd., (hereinafter "Generator") a California corporation located in Carlsbad, CA.

1.3. Generator is indebted to PFI and all present and future monies owed by Generator to PFI shall hereinafter be referred to as the "PFI Debt".

1.4. Swag has guaranteed payment of the PFI Debt by Generator to PFI and desires to secure its performance of its guaranty by granting PFI a perfected security interest in the Trademarks.

Now therefore, in return for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

### 2. GRANT AND SECURITY INTEREST

2.1. SWAG hereby grants to PFI a security interest in all of its rights in the Trademarks and the goodwill associated therewith in the registrations and/or applications shown in Exhibit A attached hereto and by this reference made a part hereof.

### 3. DEFAULT

3.1. Breach of any term of this Security Agreement shall constitute default.

3.2. Generator's non-payment of any or all of the PFI Debt when due, and Swag's non-performance under its guaranty to pay any or all of the PFI Debt to PFI when due.

#### 4. RIGHTS UPON DEFAULT

4.1. This security interest is to secure Swag's performance under its guaranty to pay the PFI Debt . Should SWAG be in default as defined above, PFI shall have the right to demand a public auction and sale to the highest bidder of the Trademarks and the goodwill associated therewith. If PFI is the successful bidder at such auction and sale, it shall have the right to set off SWAG's obligation to pay the PFI Debt against its successful bid. If PFI is not the successful bidder, SWAG agrees to satisfy its obligation to pay the PFI Debt to PFI out of the proceeds received from said sale.

#### 5. TERMINATION

5.1. Upon full payment of all of the PFI Debt, including any and all sublicense payments due to PFI by Generator, PFI will release all of its security interests in the Trademarks and goodwill associated therewith. In such event, PFI agrees to execute all documents and take all other action requested by SWAG to release PFI's security interest in the trademarks and goodwill associated therewith.

#### 6. SUCCESSORS AND ASSIGNS

6.1. This Agreement shall be binding on the parties, their successors and assigns.

#### 7. GOVERNING LAW

7.1. This Agreement shall be governed by the State of Washington.

Executed JUNE 04, 2001.

7.2 In the event that either party brings any legal proceeding to enforce or interpret any provision herein, the party that substantially prevails in such legal proceeding shall be entitled to have its reasonable attorneys' fees and costs, including fees and costs of appeal, paid by the other party. In recognition of the costs and delays associated therewith, the parties agree to waive their respective rights to a jury trial in all cases related to enforcement of this Agreement.

ASSIGNEE: (Secured Party)

ASSIGNOR: (Obligor)

Production Finance International, LLC

Swag Industries

By [Signature]

By [Signature]

Its [Signature]

Its PRESIDENT

STATE OF CALIFORNIA  
) ss.  
COUNTY OF SAN DIEGO

On this 6<sup>th</sup> day of JUNE, 2001, before me appeared ANDREW FRIESEN, the person who signed this instrument on behalf of Swag Industries, the assignor corporation, who being sworn, acknowledged that he signed this instrument as a free act.



[Signature]  
NOTARY PUBLIC in and for the  
State of California, residing at  
CARLSBAD, CALIFORNIA.

KWT.cg

EXHIBIT A

United States

<u>Mark</u>	<u>Serial/Registration No.</u>	<u>Filing/Issue Date</u>
PROM	Serial No. 75/871,119	December 15, 1999
PROM	Reg. No. 1,994,102	August 13, 1996
SWAG	Reg. No. 1,981,840	June 25, 1996
TWIST	Serial No. 76/144,314	October 11, 2000
TWIST	Serial No. 75/583,845	October 27, 1998

Canada

<u>Mark</u>	<u>Appln./Reg. No.</u>	<u>Filing/Issue Date</u>
SWAG	Appl. No. TMA443225	May 26, 1995
PROM	App. No. TMA480361	August 13, 1997
PROM	Reg. No.078044001	November 30, 1999
TWIST	Reg. No. 102385500	July 27, 1999

France

<u>Mark</u>	<u>Appln./Reg. No.</u>	<u>Filing/Issue Date</u>
PROM	208602	May 11, 1996
SWAG	95 566556	March 4, 1995

Germany

<u>Mark</u>	<u>Appln./Reg. No.</u>	<u>Filing/Issue Date</u>
PROM	39514591	April 4, 1996
SWAG	39514589	April 4, 1996
TWIST	39945426	July 30, 1999

Japan

<u>Mark</u>	<u>Appln./Reg. No.</u>	<u>Filing/Issue Date</u>
PROM	4220030	November 12, 1998
PROM	110843/1999	February 12, 1999

Switzerland

<u>Mark</u>	<u>Appln./Reg. No.</u>	<u>Filing/Issue Date</u>
PROM	433240	December 31, 1996
SWAG	433241	December 20, 1996

United Kingdom

<u>Mark</u>	<u>Appln./Reg. No.</u>	<u>Filing/Issue Date</u>
SWAG	2051192	January 15, 1996
TWIST	2209956	September 28, 1999
PROM	2051194	January 15, 1996