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Form PTO-1594 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002) Tab settings		U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office	
To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.			
1. Name of conveying party(ies): <u>Goatgear Company, L.L.C.</u> <input type="checkbox"/> Individual(s) <input type="checkbox"/> Association <input type="checkbox"/> General Partnership <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Corporation-State <input checked="" type="checkbox"/> Other <u>limited liability company</u>		2. Name and address of receiving party(ies) Name: <u>Ray's Apparel, Inc</u> Internal Address: <u>350 East Paularino Avenue</u> Street Address: _____ City: <u>Costa Mesa</u> State: <u>CA</u> Zip: <u>92626</u> <input type="checkbox"/> Individual(s) citizenship _____ <input type="checkbox"/> Association _____ <input type="checkbox"/> General Partnership _____ <input type="checkbox"/> Limited Partnership _____ <input checked="" type="checkbox"/> Corporation-State <u>California Corporation</u> <input type="checkbox"/> Other _____ <small>If assignor is not domiciled in the United States, a domestic representative designation is attached: <input type="checkbox"/> Yes <input type="checkbox"/> No (Designations must be a separate document from assignment)</small> Additional name(s) & address(es) attached? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
3. Nature of conveyance: <input checked="" type="checkbox"/> Assignment <input type="checkbox"/> Merger <input type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other _____ Execution Date: _____			
4. Application number(s) or registration number(s): <u>Srl. No. 75337010</u> A. Trademark Application No.(s) <u>Regn No. 2304599</u>		B. Trademark Registration No.(s) <u>2,304,599</u>	
Additional number(s) attached <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
5. Name and address of party to whom correspondence concerning document should be mailed: Name: <u>Rays Apparel, Inc.</u> Internal Address: <u>350 E. Paularino Ave.</u> <u>Costa Mesa, CA 92626</u> Street Address: <u>350 E. Paularino Ave.</u> <u>Costa Mesa, CA 92626</u> City: _____ State: _____ Zip: _____		6. Total number of applications and registrations involved: <u>1</u> 7. Total fee (37 CFR 3.41) \$ <u>40.00</u> <input checked="" type="checkbox"/> Enclosed <input type="checkbox"/> Authorized to be charged to deposit account 8. Deposit account number: _____ <small>(Attach duplicate copy of this page if paying by deposit account)</small>	
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. <u>OLEN FARRAYE</u> <u>[Signature]</u> <u>9/24/01</u> Name of Person Signing Signature Date Total number of pages including cover sheet, attachments, and document: <u>6</u>			

Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231

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CERTIFIED TRUE COPY
Newson Young



Execution Copy

SECURITY AGREEMENT

This is a Security Agreement dated as of July 1, 2001, by and between Goatgear Company L.L.C., a New Jersey limited liability company ("Debtor"), and Ray's Apparel, Inc., a California corporation, for itself and as agent for its affiliates ("Vendor").

1. The Goods and Terms of Payment. Debtor wishes to continue to buy from Vendor or its affiliates from time to time items of inventory consisting of men's and women's clothing and accessories (the "Vendor's Goods"), and Vendor is willing to extend trade credit to Debtor in connection with its purchase of Vendor's Goods, on the terms and conditions set forth herein. The terms of all sales of Vendor Goods shall be f/o/b Vendor's warehouse, payable "thirty days net" from the date of invoice. At no time shall the maximum amount owed by Debtor on account of its purchase of Vendor's Goods exceed \$500,000, unless the Vendor shall otherwise agree in writing. If Debtor fails to pay any invoice within thirty days of the date of such invoice, a 1% per month surcharge shall be added to any outstanding balance under such invoice upon Debtor's receipt of written notice of late payment (a "Late Payment Notice"), which notice shall specify the amount that is unpaid, shall identify the invoice relating to such payment, and shall reflect the addition of the 1% surcharge.

2. Security Interest. In order to secure the payment, performance and observance of all obligations relating to the indebtedness of the Buyer to the Vendor hereunder, Debtor hereby grants to Vendor a first priority security interest in the following collateral (collectively, the "Collateral"): (i) Vendor's Goods and all proceeds thereof, including sale proceeds and insurance proceeds, and (ii) Debtor's trademark "Goatgear," together with the goodwill of the business symbolized by "Goatgear," the customer lists and records related to "Goatgear," the application and registration of "Goatgear," and all proceeds thereof, including any and all causes of action which may exist by reason of infringement thereof.

3. Power of Attorney. Debtor hereby grants Vendor an irrevocable, limited power of attorney, coupled with an interest, with power of appointment, to execute and deliver on Debtor's behalf and in Debtor's name all documents or instruments necessary or appropriate in order to perfect and continue the above security interest in the Collateral, including, without limitation, (i) the filing of all financing and continuation statements and amendments thereof, and (ii) the giving of notice to other creditors, if necessary to the establishment of Vendor's first priority security interest. Without limiting the foregoing, Debtor hereby authorizes Vendor or its designated filing service or other designee to file or register a financing statement by facsimile transmission or in electronic form by electronic transmission.

4. Representation and Warranties. Debtor represents and warrants that: (i) it is authorized to execute, deliver and perform this Security Agreement; (ii) the Vendor's Goods will be located at Debtor's offices, pending resale to Debtor's retail accounts; (iii) its chief executive office and principal place of business are at the address set forth below; (iv) no other person or party has or will have a lien or security interest or tax or judgment lien on the Collateral; and (v) it has had the same business name and locations at all times during the past year.

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5. **Covenants.** Debtor covenants that: (i) it will keep its accounts regarding the Vendor's Goods current and make timely payments in accordance with the terms of applicable purchase agreements; (ii) it will keep the Vendor's Goods insured for at least the purchase price (with a deductible of no more than \$2,500) against all customary casualties; and (iii) it will give Vendor thirty (30) days prior written notice of any change of (A) the location of the Vendor's Goods, (B) the location of its chief executive office and principal place of business, and (C) its business name.

6. **Enforcement of Security Interest.** No delay or failure to enforce any right shall be deemed to be a waiver of such right by Vendor. Any breach of the foregoing representations or covenants shall be a breach of contract and grounds for Vendor's declaring all amounts immediately payable and enforcing its security interest.

7. **Remedies.** Vendor may take any or all of the following actions if Debtor has failed to pay an invoice within thirty days of the date of invoice and such failure continues for 30 days after a Late Payment Notice is given by Vendor:

a. **Acceleration.** All of Debtor's outstanding payment obligations shall become automatically due and payable without presentment, demand, protest, or further notice of any kind, all of which are expressly waived, notwithstanding anything else hereunder or any other agreement evidencing any obligations to the contrary.

b. **Rights as Secured Creditor.** Vendor may exercise all of the rights and remedies of a secured party under the Uniform Commercial Code and under any other applicable law, including, without limitation, the right, without notice except as specified below and with or without taking possession thereof, to sell the Collateral or any part thereof in one or more parcels at public or private sale at any location chosen by Vendor, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as Vendor may deem commercially reasonable, provided, however, Vendor agrees that it shall exercise any such rights, first, with respect to its security interest granted hereby in Vendor's Goods and, second, to the extent that Debtor's indebtedness to Vendor is not satisfied thereby, with respect to Vendor's security interest granted hereby in the "Goatgear" trademark. Debtor agrees that, to the extent notice of sale shall be required by applicable law, at least ten days prior notice to the Debtor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Vendor shall not be obligated to make any sale of Collateral, regardless of notice of sale having been given. Vendor may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it is adjourned.

c. **Assignment of Mark.** In connection with the grant of a security interest in the "Goatgear" trademark, Debtor hereby has executed and delivered to Vendor an irrevocable Assignment of Trademark in the form attached hereto (the "Assignment"). Vendor agrees that it will not file and record the Assignment with the USPTO unless and until Vendor has exhausted its remedies with respect to Debtor's default as provided hereunder.

d. **Waiver of Marshaling.** Debtor hereby waives any right to require any marshaling of assets and any similar right.

e. **Appointment of Receiver.** Vendor shall be entitled to the appointment of a receiver to take possession of all or any portion of the Collateral and to exercise such power as the court shall confer upon such receiver.

8. **Term of Agreement.** This agreement shall cover and pertain to all orders and shipments of Vendor's Goods to Debtor (or any affiliate) that are placed or made between July 1, 2001 and December 31, 2002 (the "Termination Date"), and shall continue in effect thereafter with respect to any monies owed to Vendor by Debtor, as well as any orders pending, as of the Termination Date, until all monies owed to Vendor by Debtor have been paid in full, provided, however, if at any time prior to the Termination Date there shall be no monies owed to Vendor by Debtor on account of its purchase of Vendor's Goods and there shall be no outstanding orders for Vendor's Goods placed by Debtor with Vendor, then Debtor may elect to terminate this Agreement by giving notice to that effect to Vendor. Upon the expiration or early termination of this Agreement, provided that there shall be no monies owned to Vendor by Debtor, Vendor agrees to return promptly the Assignment to Debtor, marked "Cancelled."

9. **Miscellaneous.**

a. **Affiliates.** "Affiliates," whether or not capitalized, means, with respect to a particular party, any entity which controls, is controlled by, or under common control with such party.

b. **Governing Law.** This Security Agreement will be governed by the laws of New York, without reference to conflicts of law provisions, except to the extent that Sections 1-105(2) and 9-103 or other applicable provisions of the Uniform Commercial Code or other applicable law prescribe that the law of another jurisdiction shall apply to the creation, perfection, priority or enforcement of the security interests hereunder. Debtor agrees to pay any attorneys' fees and disbursements and court costs Vendor may incur in enforcing Debtor's obligations or Vendor's rights under this Security Agreement and the security interests hereunder.

c. **Assignment.** Neither party may assign any of its rights or obligations hereunder without the prior written consent of the other party, which consent may not be unreasonably withheld. Notwithstanding the foregoing, this agreement may be assigned in its entirety to any Affiliate or successor to all or substantially all of the assets of either party; provided, however, that any permitted assignee shall agree in writing to be bound by the terms hereof and no such assignment shall relieve the assignor of its obligations hereunder.

d. **Notices.** Any notice required or permitted hereunder shall be in writing and shall be deemed to have been duly delivered if mailed by certified mail, postage prepaid to one of the addresses listed below or given by facsimile transmission during regular business hours of the recipient. Notices may be signed by a party or its attorney.

e. **Amendments.** This agreement may be amended or modified only by a writing signed by both parties hereto.

f. **Professional Representation.** Each of the parties represents to the other that it has been represented by counsel of its choice in the negotiation, execution, and delivery of this Agreement.

(Signatures on next page)


IN WITNESS WHEREOF, the undersigned have caused this Security Agreement to be executed and delivered by their duly authorized officers or representatives as of the 24th day of September, 2001.


Secured Party:

Debtor:

RAY'S APPAREL, INC.

GOATGEAR COMPANY LLC

By: 
Name: James Stark
Title: President

By: 
Name: Glen Farraye
Title: President

Address:
350 East Paularino Avenue
Costa Mesa, CA 92626
Attention: Jim Stark
Fax: (714) 436-9570

Address: Goatgear Company LLC
Suite 1606
485 Seventh Avenue
New York, NY 10018
Attention: Glen Farraye
Fax: (212) 279-4705