

12-09-2002

R SHEET

Docket No.:

ONLY

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Tab settings

To the Honorable Commissioner

102304843

and the attached original documents or copy thereof.

1. Name of conveying party(ies):

Kirk Jones

11-18-02

- Individual(s)
- General Partnership
- Corporation-State
- Other
- Association
- Limited Partnership

Additional names(s) of conveying party(ies)  Yes  No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other
- Merger
- Change of Name

Execution Date: December 28, 1999

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

Name: GT BICYCLES, INC.

Internal Address:

Street Address: 2001 East Dyer Road

City: Santa Ana State: CA ZIP: 92705

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State California
- Other

If assignee is not domiciled in the United States, a domestic designation is  Yes  N  
(Designations must be a separate document from Additional name(s) & address(es)  Yes  N

4. Application number(s) or registration numbers(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

2,016,941

Additional numbers  Yes  No

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

Name: Joseph C. Andras

Internal Address: MYERS DAWES & ANDRAS LLP

Street Address: 19900 MacArthur Boulevard

Suite 1150

City: Irvine State: CA ZIP: 92612

6. Total number of applications and registrations involved:.....

1

7. Total fee (37 CFR 3.41):.....\$ 40.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

01-1960

12/06/2002 DBYRNE 00000108 2016941  
01 FC:0521 40.00 DP

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.

Joseph C. Andras

Name of Person Signing

Signature

November 14, 2002

Date

Total number of pages including cover sheet, attachments, and

6

## SECURITY AGREEMENT

This SECURITY AGREEMENT (this "Security Agreement") is made and entered into as of December 24, 1999, by and between GT BICYCLES, INC., a California corporation ("Secured Party"), and KIRK JONES, an individual ("Debtor"), with reference to the following facts:

A. Concurrently herewith, Debtor and Secured Party have entered into that certain Stock Purchase Agreement (the "Stock Purchase Agreement") whereby Debtor has agreed to purchase and Secured Party has agreed to sell four hundred fourteen and five-tenths (414.5) shares of the outstanding common stock in Innovations in Composites, Inc., a California corporation ("IIC"), currently held by Secured Party (the "Shares"). As payment of the purchase price for the Shares under the Stock Purchase Agreement, Debtor has executed that certain Secured Promissory Note of even date herewith in the amount of Two Hundred Eighty-Five Thousand Three Hundred Fifteen Dollars Seventy-Five Cents (\$285,315.75) (the "Note").

B. As a condition to Secured Party entering into the Stock Purchase Agreement, Secured Party has required Debtor to enter into this Security Agreement granting a security interest to Secured Party in Debtor's interest in and to the "Collateral" (as defined in Section 1 below).

## AGREEMENT

NOW, THEREFORE, in consideration of the foregoing facts, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Grant of Security Interest. Debtor hereby grants to Secured Party, pursuant to the California Uniform Commercial Code, a security interest in all of Debtor's right, title, and interest in and to all of the following property, whether now existing or hereafter arising and wherever located (collectively, the "Collateral"):

(a) United States Patent No. 5,184,874 entitled "INJECTION MOLDED PLASTIC BICYCLE WHEEL" and issued February 9, 1993, to Debtor and Douglas Olson, an individual ("Olson");

(b) United States Patent No. 5,415,463 entitled "INJECTION MOLDED PLASTIC BICYCLE WHEEL" and issued May 16, 1995, to Debtor and Olson (the patents referred to in this subsection (b) and subsection (a) above are collectively referred to herein as the "Patents");

(c) The "SPIN" trademark, registered with the U.S. Patent and Trademark Office on November 19, 1996, as Registration No. 2,016,941 (the "SPIN Trademark");

(d) The SPIN MAX ATB all-terrain bicycle wheel mold (aka the "Eon") (the "SPIN Mold");

(e) Any other molds purchased by Secured Party and/or GT Bicycles California, Inc., a California corporation, on behalf of IIC and used in conjunction with the business of IIC (the "Other Molds"); and

(f) Any current or future license and royalty agreement which relates to or arises out of either of the Patents, including any royalty income generated thereby.

Simultaneously with Debtor's execution of this Security Agreement, Debtor will execute a UCC-1 Financing Statement in form and substance satisfactory to Secured Party and in accordance with California law.

2. Obligations Secured. The security interest granted hereby secures the payment, discharge, and performance of the following obligations (collectively, the "Obligations"):

(a) Prompt payment of the principal and all other amounts, payments, and premiums due under the Note, and all modifications, extensions, or renewals of the Note; and

(b) Prompt and complete observance, performance, and discharge of each and every obligation, covenant, and agreement of Debtor under the Note and this Security Agreement and all modifications, extensions, or renewals of any of the foregoing.

3. Events of Default. The happening of any of the following events shall constitute an event of default ("Event of Default") by Debtor under this Security Agreement:

(a) The occurrence of any default with respect to the payment or performance of the Obligations, if the same continues uncured for a period of thirty (30) days after written notice thereof from Secured Party to Debtor;

(b) The failure of Debtor to keep or perform any of the terms, covenants, and conditions of this Security Agreement, if the same continues uncured for a period of thirty (30) days after written notice thereof from Secured Party to Debtor;

(c) The levy of any attachment, execution, or other process against the Collateral and the failure to remove such process within ninety (90) days after the levy thereof; or

(d) The insolvency of Debtor; the filing by or against Debtor of any petition in bankruptcy or for any relief under the provisions of the Bankruptcy Code not dismissed within ninety (90) days after the filing thereof; or the appointment of a receiver for any part of Debtor's property not dismissed within ninety (90) days after the appointment.

4. Remedies of Secured Party.

(a) Upon the occurrence of an Event of Default hereunder, Secured Party may, at Secured Party's option, do any or all of the following:

(i) Declare all sums secured by this Security Agreement immediately due and payable; or

(ii) Make application to a court of competent jurisdiction for the appointment of a receiver for the Collateral and Debtor does hereby irrevocably consent to such appointment; or

(iii) Exercise any other remedies with respect to the Collateral available under federal or California law.

The aforementioned remedies shall be the sole and exclusive remedies of Secured Party upon the occurrence of any Event of Default.

5. Ownership of Collateral. Debtor hereby represents and warrants to Secured Party that, except as otherwise provided herein, Debtor is a true and lawful owner of Debtor's interest in the Collateral. Debtor's ownership of the SPIN Trademark, the SPIN Mold, and the Other Molds shall occur upon the consummation of the transaction contemplated by the Stock Purchase Agreement.

6. Application of Monies. All monies received or collected pursuant to this Security Agreement after an Event of Default shall be held by Secured Party and shall be applied by Secured Party first to the payment of all costs incurred in the collection of such monies (including reasonable attorneys' fees and legal expenses) and, second, to the payment of the Obligations. The balance, if any, of such monies remaining after payment in full of the Obligations shall be remitted to Debtor or as otherwise directed by a court of competent jurisdiction.

7. Debtor Waiver of Rights. Debtor authorizes Secured Party, without notice or demand, and without affecting Debtor's obligations hereunder, from time to time: (i) to renew, extend, or increase the time for payment of the Obligations; (ii) to take from any party and hold collateral for the payment or performance of the Obligations, and to exchange, enforce, or release such collateral or any part thereof; (iii) to accept and hold any endorsement or guaranty of payment or performance of the Obligations and to release or substitute any such endorser or guarantor, or any party who has given any security interest in any collateral as security for the

payment or performance of the Obligations, or any other party in any way obligated to pay or perform the Obligations; (iv) to direct the order or manner of the disposition of any and all Collateral and the enforcement of any and all endorsements and guaranties relating to the Obligations as Secured Party, in Secured Party's sole discretion, may determine; and (v) to determine how, when, and what application of payments and credits, if any, shall be made on the Obligations, and to apply the same upon principal or interest or the portion thereof, if any, in excess of the amounts secured by this Security Agreement.

8. No Waiver. Any forbearance, failure or delay by Secured Party in exercising any right, power, or remedy hereunder shall not be deemed a waiver of such right, power, or remedy, and any single or partial exercise of any right, power, or remedy hereunder shall not preclude the further exercise thereof; the obligations of Debtor under this Security Agreement shall not be affected in any way by any extension of the time or times of payment of any indebtedness secured hereby, any change in the terms of such indebtedness, the acceptance of other or further security for such indebtedness or the surrender, release, reconveyance (partially or otherwise), exchange, or alteration of any security for such indebtedness, including the Collateral.

9. Notices. Any notices to be given hereunder by any party to another shall be deemed received upon actual receipt if delivered personally or by facsimile transmission, in writing, or three (3) business days after deposit in the United States mail, registered or certified, postage prepaid, with return receipt requested, addressed to the party at the address specified below. The parties may change their addresses by written notice in accordance with this paragraph.

If to Debtor:                   Kirk Jones  
                                      c/o Innovations in Composites, Inc.  
                                      2690 Progress Street, Suite B  
                                      Vista, California 92803

If to Secured Party:       GT Bicycles, Inc.  
                                      2001 East Dyer Road  
                                      Santa Ana, CA 92705  
                                      Attention: President

10. Binding Effect. This Security Agreement shall inure to the benefit of and be binding upon the successors, assigns, and personal representatives of the parties hereto.

11. California Law. This Security Agreement shall be governed and construed under the laws of the State of California.


12. Severability. Any provisions of this Security Agreement which may be prohibited by law or otherwise held invalid shall be ineffective only to the extent of such prohibition or invalidity and shall not invalidate or otherwise render ineffective the remaining provisions of this Security Agreement.

13. Headings. The headings of the articles, sections, and paragraphs herein are inserted for convenience or reference only and are not intended to be a part of or to affect the meaning or interpretation of this Security Agreement.

14. Counterpart Originals and Facsimile Signatures. This Security Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Facsimile signatures shall count the same as originals.


IN WITNESS WHEREOF, Debtor and Secured Party have executed this Security Agreement as of the date first above written.

"DEBTOR"

  
\_\_\_\_\_  
Kirk Jones, an individual

"SECURED PARTY"

GT BICYCLES, INC., a California corporation

By:   
\_\_\_\_\_

Its: Vice President  
\_\_\_\_\_