

Form PTO-1594
(Rev. 10/02)
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Tab settings

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

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):
Clifden Enterprises, LLC

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

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

3. Nature of conveyance:

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

Execution Date: 05/19/2004

2. Name and address of receiving party(ies)

Name: Seismic Safety Products, Inc.
Internal
Address:

Street Address: 430 Olds Station Road

City: Wenatchee State: WA Zip: 98801

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

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s) 2119389

Additional number(s) attached Yes No

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

Name: Kristine Fyfe

Internal Address: Davis Wright Tremaine LLP

Street Address: 1501 Fourth Avenue, Suite 2600

City: Seattle State: WA Zip: 98101

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:

040258

DO NOT USE THIS SPACE

9. Signature.

Kristine Fyfe
Name of Person Signing

Kristine Fyfe
Signature

5/21/04
Date

Total number of pages including cover sheet, attachments, and document: 10

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

CH \$40.00 040258 2119389

Continuation of Item 2

Name and address of receiving party(ies)

Pacific Aerospace & Electronics Machining Division, Inc.
430 Olds Station Road
Wenatchee, WA 98801

Washington corporation

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") is made as of the 19th day of May, 2004, by Clifden Enterprises, LLC, a Washington limited liability company ("Debtor"), in favor of Seismic Safety Products, Inc., a Washington corporation and Pacific Aerospace & Electronics Machining Division, Inc. (collectively, "Secured Party").

RECITALS

A. Pursuant to that certain Option, License and Asset Purchase Agreement dated as of the 15th day of May, 2003, between Debtor, as Buyer, and Secured Party, as Seller (the "Purchase Agreement"), Secured Party has agreed to extend credit to Debtor in the amount of One Hundred and Ninety-Five Thousand Dollars (US\$195,000) (the "Financed Amount") in connection with Debtor's purchase from Secured Party of the assets used in Secured Party's business known as "Seismic Safety Products".

B. The execution and delivery of this Agreement is a material condition precedent to Secured Party's agreement to extend credit equal to the Financed Amount to Debtor.

NOW, THEREFORE, in consideration of the foregoing the undersigned agrees as follows:

1. **Defined Terms.** All terms defined in the Uniform Commercial Code of the State of Washington (the "UCC"), and used herein shall have the same definitions herein as specified therein. The parties intend that the collateral definitions have the broadest possible meaning and interpretation under the UCC.

2. **Grant of Security Interest.** Debtor hereby grants, assigns, and transfers to Secured Party a security interest in and a right of setoff against all of the following (collectively, the "Collateral"):

(a) **Assets.** All of the assets listed on Exhibit A attached hereto (the "Assets").

(b) **Insurance.** All insurances now or hereafter in effect with respect to the Assets, (ii) all claims and all returns of premiums, dues, calls, and assessments that are not immediately applied to premiums, dues, calls, and assessments that accrue from time to time, and all other sums or claims for sums due or to become due under the foregoing insurances and (iii) all right, title and interest in to, or under the foregoing.

(c) **Proceeds and Products.** All proceeds and products of any and all of the foregoing Collateral and, to the extent not otherwise included, all payments under insurance (whether or not Secured Party is a loss payee thereof), or any indemnity,

warranty or guaranty, payable by reason of loss, damage or otherwise, with respect to any of the foregoing Collateral.

3. Obligations Secured. The security interest in the Collateral is given to secure the full and timely performance by Debtor of all indebtedness, liabilities and obligations of Debtor owing to Secured Party now existing or hereafter incurred without set-off, counterclaim, recoupment or deduction of any amounts owing or alleged to be owing by Secured Party to Debtor, including, but not limited to, indebtedness arising pursuant to the terms of the Purchase Agreement, the Secured Promissory Note dated May 19, 2004, in the amount of \$195,000 issued by Debtor to Secured Party pursuant to the Purchase Agreement (the "Note"), and this Agreement (collectively the "Obligations").

4. Ownership and Liens. Debtor represents and warrants to Secured Party that (a) Debtor owns the Collateral and is not prohibited by contract or otherwise from subjecting the same to the security interest created hereby; and (b) the Collateral is free and clear of all security interests and encumbrances of every kind other than liens created hereunder in favor of Secured Party. Debtor will not create or suffer to exist any lien on the Collateral (other than liens granted to the Secured Party or its principals) with priority over the liens created hereunder. Neither Debtor nor its agents or employees will sell, transfer, assign or lease or otherwise dispose of any item of Collateral in whole or in part except in the ordinary course of business. The Collateral is now and shall remain personal property, and Debtors will not permit any Collateral to become a fixture without prior written notice to and consent of Secured Party and without first making all arrangements, and delivering, or causing to be delivered, to Secured Party all instruments and documents, including, without limitation, waivers and subordination agreements by any landlords or mortgagees, requested by and satisfactory to Secured Party to preserve and protect the primary security interest granted herein against all persons. Debtor will fully and punctually perform any duty required of it in connection with the Collateral and will not take any action which will impair, damage or destroy Secured Party's rights with respect to the Collateral or hereunder or the value thereof.

5. Debtor's State of Organization; Location of Collateral. Debtor represents and warrants that (a) Clifden Enterprises, LLC is and will remain a limited liability company organized under the laws of the State of Washington, and (b) the address set forth under the Debtor's name on the signature page hereto is and will remain its principal place of business and the location of its chief executive offices and the address at which it will keep its records concerning the Collateral. Debtor represents and warrants that it has not done, and that after the date hereof it will not do, business under any names other than Clifden Enterprises, LLC. Debtor will not change its form or state of organization, enter into any merger or consolidation or move the location of its chief executive offices, nor move its records concerning the Collateral unless Debtor shall have given Secured Party not less than sixty (60) days prior written notice of such change, merger or move.

6. Appointment of Secured Party. Debtor hereby irrevocably appoints Secured Party Debtor's true and lawful attorney, with full authority in the place of Debtor

and in the name of Debtor or otherwise, after an Event of Default (as defined in Section 10) has occurred and is continuing, (a) to demand any and all amounts which may be or become due or payable to Debtor with respect to the Collateral, including, without limitation, to enforce Debtor's rights against the account debtors and obligors, and (b) in Secured Party's sole discretion, to file any claim or take any action or proceeding which Secured Party deems necessary or desirable in order to collect or enforce payment of any and all amounts which may become due or owing with respect to the Collateral. The acceptance of this appointment by Secured Party shall not obligate it to perform any duty, covenant or obligation required to be performed by Debtor under or by virtue of the Collateral or to take any action in connection therewith.

7. Taxes. Debtor will pay before delinquency any taxes which are or may become through assessment or distraint or otherwise a lien or charge on the Collateral and will pay any tax which may be levied on any Obligation secured hereby.

8. Maintenance of Collateral. Debtor will keep all Collateral in good order, repair and operating condition, ordinary wear and tear excepted, will promptly make all repairs, renewals and replacements necessary to maintain such Collateral, and will not cause or allow any of such Collateral to be misused or wasted or to deteriorate, ordinary wear and tear excepted.

9. Further Assurances. Debtor, at its sole cost and expense, will at any time and from time to time hereafter (a) execute such other documents and other instruments and perform such other acts as Secured Party may reasonably request to establish and maintain the security interest herein granted by Debtor to Secured Party and the priority and continued perfection thereof; (b) obtain and promptly furnish to Secured Party evidence of all such government approvals as may be required to enable Debtor to comply with its obligations under this Agreement or as may be required in connection with the transactions contemplated hereby; and (c) execute and deliver all such other instruments and perform all such other acts as Secured Party may reasonably request to carry out the transactions contemplated by this Agreement.

10. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default":

- (a) Debtor fails to pay when due any secured obligation;
- (b) a default in compliance with any term, covenant or condition contained in this Agreement, the Note or the Purchase Agreement, or in any other agreement executed by Debtor or its affiliates in favor of Secured Party in connection therewith;
- (c) any representation or warranty made or deemed to be made by Debtor under or in connection with this Agreement shall prove to have been incorrect in any material respect when made or deemed made;

(d) Debtor shall fail to comply with, or become subject to any administrative or judicial proceeding under any federal, state or local law where noncompliance may have any significant effect on the Collateral; or

(e) Debtor dissolves or liquidates, makes an assignment for the benefit of creditors, has a receiver appointed for any of the Debtor's property or business, or becomes involved in any voluntary or involuntary proceeding under the federal bankruptcy or similar state laws.

11. Remedies Upon Default. If an Event of Default shall occur, Secured Party shall have all remedies provided by law and, without limiting the generality of the foregoing or the remedies provided in any other paragraph hereof, shall have the following remedies:

(a) The remedies of a secured party under the UCC;

(b) The right to sell all or part of the Collateral and make application of all proceeds or sums due in respect of the Collateral in whole or partial satisfaction of the Obligations as Secured Party may determine in its sole discretion;

(c) The right to enforce and collect the Collateral in such manner as shall be commercially reasonable deducting from the proceeds thereof its reasonable expenses of collection;

(d) The remedies provided by the Note or the Purchase Agreement in case of breach or an Event of Default thereof or thereunder; and

(e) All other remedies which may be available in law or equity.

To the extent that notice of sale shall be required by law to be given, Debtor agrees that a period of ten (10) days from the time the notice is sent shall be a reasonable period of notification of a sale or other disposition of the Collateral by Secured Party, and that any notice or other communication from Secured Party to Debtor pursuant to this Agreement or required by any statute may be given to Debtor at the address set forth under its signature hereto or at such other address as Debtor may hereafter designate to Secured Party in a writing delivered to Secured Party.

Debtor agrees to pay on demand the amount of all expenses incurred by Secured Party in protecting and realizing on the Collateral and Debtor further agrees that if this Agreement or any Obligation is referred to an attorney for protecting or defending the priority of Secured Party's interest in the Collateral or for collecting or realizing thereon, Debtor shall pay all of Secured Party's expenses, including without limitation attorneys' fees and costs and all court costs and costs of public officials and Debtor further agrees that its obligation to pay such amounts shall bear interest from the date such expenditures are made by Secured Party until repaid at one and one-half percent (1.5%) per month or the maximum rate allowed by law, whichever is less, and shall be secured hereby. Debtor agrees to pay any deficiency owing under this Agreement after collection or

realization by Secured Party on the Collateral and the application of the proceeds thereof as provided herein.

Secured Party has no obligation to attempt to satisfy the Obligations by collecting them from any other person liable for them and Secured Party may release, modify or waive any collateral provided by any other person to secure any of the Obligations, all without affecting Secured Party's rights against Debtor.

12. Hold Harmless. Debtor will indemnify and hold Secured Party and its agents, successors, heirs and assigns (each an "Indemnified Party") harmless from all liability, loss, damage or expense, including attorneys' fees and costs, that the Indemnified Party may incur resulting from, arising out of, or relating to Indemnified Party's good faith efforts to comply with or enforce the terms of this Agreement. The covenants set forth in this Section 12 shall survive the termination of this Agreement.

13. No Waiver; Remedies Cumulative. This Agreement shall not be qualified or supplemented by course of dealing. No waiver or modification by Secured Party of any of the terms and conditions hereof shall be effective unless in writing signed by Secured Party. No waiver nor indulgence by Secured Party as to any required performance by Debtor shall constitute a waiver as to any required performance or other obligations of Debtor hereunder. The exercise of any right, power, or remedy shall in no event constitute a cure or waiver of any Event of Default nor prejudice the right of Secured Party in the exercise of any right hereunder. The rights and remedies provided herein are cumulative and not exclusive of any right or remedy provided by law.

14. Severability. In case any one or more of the provisions contained in this Agreement is invalid, illegal or unenforceable in any respect in any jurisdiction, the validity, legality and enforceability of such provision or provisions will not in any way be affected or impaired thereby in any other jurisdiction, and the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

15. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Washington. The parties consent to the jurisdiction and venue of any appropriate court located in Wenatchee, Chelan County, Washington.

16. Assignment; Successors. Secured Party may assign or transfer the whole or any part of the Obligations to the extent permitted under the Purchase Agreement and may transfer therewith as collateral security the whole or any part of the Collateral and all obligations, rights, powers and privileges herein provided shall inure to the benefit of the assignee to the extent of such assignment. This Agreement shall bind the successors and assigns of Debtor and Secured Party. Debtor may not assign its rights and obligations hereunder without the prior written consent of Secured Party.

17. Notices. Notices by Secured Party to Debtor may be sent or delivered to Debtor at the address set forth under its name on the signature page hereof, or at such other address as shall be designated by Debtor in a written notice to Secured Party.

18. Authorization to File Financing Statement. Debtor authorizes Secured Party to file a financing statement covering the Collateral with the appropriate state agency.

[Signature lines on next page.]

IN WITNESS WHEREOF, Debtor has executed this Agreement as of the date and year first above written.

DEBTOR:

CLIFDEN ENTERPRISES, LLC

Washington limited liability company

By: *[Handwritten Signature]*

Its: *[Handwritten Signature]*

EXHIBIT A**ASSETS**

1. **The following trade names:**
 - a. "Seismic Safety Products";
 - b. "Northridge Valve";
 - c. "Northridge 2000 Valve";
2. **U.S. Trademark Registration #2,119,389 (December 9, 1997)
for NORTHRIDGE VALVE – U.S.;**
3. **The following U.S. Patents:**
 - a. United States Patent #5,409,031 (April 25, 1995);
 - b. United States Patent #5,119,841 (June 9, 1992);
 - c. United States Patent #4,903,720 (February 27, 1990);
 - d. United States Patent #5,704,385 (June 6, 1998);
4. **Tooling;**
5. **Dyes;**
6. **Testing Equipment; and**
7. **All Engineering drawings and/or including the following:**
 - a. Copies of all related manufacturing or engineering software files;
 - b. Related prototype hardware developed for 3 patents;
 - c. Related design or utility patents;
 - d. Master copies of updated revision level modified drawings to reflect latest design changes;
 - e. Copies of associated MCAD and CAM software files;
 - f. All PDM and configuration control files; and
 - g. All related log books.