

07-02-2004

U.S. DEPARTMENT OF COMMERCE

11/5/03

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OMB No. 0651-0011 (exp. 4/94) Tab settings =>=>=>

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):
SEVYLOR, INC.
6651 East 26th Street
Los Angeles, California 90040

Individuals(s) Association
 General Partnership Limited Partnership
 Corporation-State **Delaware**
 Other _____

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

2. Name and address of receiving party(ies)
Name: **Wells Fargo Business Credit, Inc.**
Internal Address:
Street Address: **245 S. Los Robles Ave, Ste 600**
City: **Pasadena** State: **California** ZIP: **91101**

Individual(s) citizenship _____
 Association _____
 General Partnership _____
 Limited Partnership _____
 Corporation-State **Minnesota**
 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

3. Nature of conveyance:

Assignment Merger
 Security Agreement Change of Name
 Other _____

Execution Date: **September 26, 2003**

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

A. Trademark Application No.(s)

Additional numbers attached? Yes No

B. Trademark Registration No.(s)
Comfortop (Reg. No. 2,396,390)

5. Name and address of party to whom correspondence concerning document should be mailed:
Mr. Michael Wright
Name: **Buchalter, Nemer, Fields & Younger**
Internal Address:

Street Address: **601 South Figueroa Street, 24th Floor**
City: **Los Angeles** State: **California** ZIP: **90017**

6. Total number of applications and registrations involved: **4**

7. Total fee (37 CFR 3.41)\$ _____
 Enclosed

Authorized to be charged to deposit account

8. Deposit account number: **20 0052**
(Attach duplicate copy of this page if paying by deposit account)

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.

MR. MICHAEL WRIGHT
Tim Paterson

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

is true and correct and any attached copy is a true copy of the original document.

July 23, September 26, 2003
Date

07/02/2004 MICHELLER 00800019 200052
01 FC:85E1
02 FC:85E2

TRADEMARK RECEIVED
FEE PROCESS
NOV 15 P 3:50
US PATENT & TRADEMARK OFFICE

PATENT AND TRADEMARK SECURITY AGREEMENT

This Agreement, dated as of September 26, 2003, is made by and between SEVYLOR, INC., a Delaware corporation, having a business location at the address set forth below next to its signature (the "Debtor"), and Wells Fargo Business Credit, Inc., a Minnesota corporation having a business location at the address set forth below next to its signature (the "Secured Party").

Recitals

The Debtor and the Secured Party are parties to a Credit and Security Agreement of even date herewith (as the same may hereafter be amended, supplemented or restated from time to time, the "Credit Agreement") setting forth the terms on which the Secured Party may now or hereafter extend credit to or for the account of the Debtor.

As a condition to extending credit to or for the account of the Debtor, the Secured Party has required the execution and delivery of this Agreement by the Debtor.

ACCORDINGLY, in consideration of the mutual covenants contained in the Loan Documents and herein, the parties hereby agree as follows:

1. Definitions. All terms defined in the Recitals hereto or in the Credit Agreement that are not otherwise defined herein shall have the meanings given to them therein. In addition, the following terms have the meanings set forth below:

"Obligations" means each and every debt, liability and obligation of every type and description arising under or in connection with any Loan Document (as defined in the Credit Agreement) which the Debtor may now or at any time hereafter owe to the Secured Party, whether such debt, liability or obligation now exists or is hereafter created or incurred and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, independent, joint, several or joint and several, and including specifically, but not limited to, the Obligations (as defined in the Credit Agreement).

"Patents" means all of the Debtor's right, title and interest in and to patents or applications for patents, fees or royalties with respect to each, and including without limitation the right to sue for past infringement and damages therefor, and licenses thereunder, all as presently existing or hereafter arising or acquired, including without limitation the patents listed on Exhibit A.

"Security Interest" has the meaning given in Section 2.

"Trademarks" means all of the Debtor's right, title and interest in and to: (i) trademarks, service marks, collective membership marks, registrations and applications for registration for each, and the respective goodwill associated with each, (ii) licenses, fees or royalties with respect to each, (iii) the right to sue for past, present and future infringement,

dilution and damages therefor, (iv) and licenses thereunder, all as presently existing or hereafter arising or acquired, including, without limitation, the marks listed on Exhibit B.

2. Security Interest. The Debtor hereby irrevocably pledges and assigns to, and grants the Secured Party a security interest (the "Security Interest"), with power of sale to the extent permitted by law, in the Patents and in the Trademarks to secure payment of the Obligations. As set forth in the Credit Agreement, the Security Interest is coupled with a security interest in substantially all of the personal property of the Debtor.

3. Representations, Warranties and Agreements. The Debtor represents, warrants and agrees as follows:

(a) ***Existence; Authority.*** The Debtor is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, and this Agreement has been duly and validly authorized by all necessary corporate action on the part of the Debtor.

(b) ***Patents.*** Exhibit A accurately lists all Patents owned or controlled by the Debtor as of the date hereof, or to which the Debtor has a right as of the date hereof to have assigned to it, and accurately reflects the existence and status of applications and letters patent pertaining to the Patents as of the date hereof. If after the date hereof, the Debtor owns, controls or has a right to have assigned to it any Patents not listed on Exhibit A, or if Exhibit A ceases to accurately reflect the existence and status of applications and letters patent pertaining to the Patents, then the Debtor shall within 60 days provide written notice to the Secured Party with a replacement Exhibit A, which upon acceptance by the Secured Party shall become part of this Agreement.

(c) ***Trademarks.*** Exhibit B accurately lists all Trademarks owned or controlled by the Debtor as of the date hereof and accurately reflects the existence and status of Trademarks and all applications and registrations pertaining thereto as of the date hereof; provided, however, that Exhibit B need not list common law marks (i.e., Trademarks for which there are no applications or registrations) which are not material to the Debtor's or any Affiliate's business(es). If after the date hereof, the Debtor owns or controls any Trademarks not listed on Exhibit B (other than common law marks which are not material to the Debtor's or any Affiliate's business(es)), or if Exhibit B ceases to accurately reflect the existence and status of applications and registrations pertaining to the Trademarks, then the Debtor shall promptly provide written notice to the Secured Party with a replacement Exhibit B, which upon acceptance by the Secured Party shall become part of this Agreement.

(d) ***Affiliates.*** As of the date hereof, no Affiliate owns, controls, or has a right to have assigned to it any items that would, if such item were owned by the Debtor, constitute Patents or Trademarks. If after the date hereof any Affiliate owns, controls, or has a right to have assigned to it any such items, then the Debtor shall promptly either: (i) cause such Affiliate to assign all of its rights in such item(s) to the Debtor; or (ii) notify the Secured Party of such item(s) and cause such Affiliate to execute and deliver to the Secured Party a patent and trademark security agreement substantially in the form of this Agreement.

(e) **Title.** The Debtor has absolute title to each Patent and each Trademark listed on Exhibits A and B, free and clear of all Liens except Permitted Liens. The Debtor (i) will have, at the time the Debtor acquires any rights in Patents or Trademarks hereafter arising, absolute title to each such Patent or Trademark free and clear of all Liens except Permitted Liens, and (ii) will keep all Patents and Trademarks free and clear of all Liens except Permitted Liens.

(f) **No Sale.** Except as permitted in the Credit Agreement, the Debtor will not assign, transfer, encumber or otherwise dispose of the Patents or Trademarks, or any interest therein, without the Secured Party's prior written consent.

(g) **Defense.** The Debtor will at its own expense and using commercially reasonable efforts, protect and defend the Patents and Trademarks against all claims or demands of all Persons other than those holding Permitted Liens.

(h) **Maintenance.** The Debtor will at its own expense maintain the Patents and the Trademarks to the extent reasonably advisable in its business including, but not limited to, filing all applications to obtain letters patent or trademark registrations and all affidavits, maintenance fees, annuities, and renewals possible with respect to letters patent, trademark registrations and applications therefor. The Debtor covenants that it will not abandon nor fail to pay any maintenance fee or annuity due and payable on any Patent or Trademark, nor fail to file any required affidavit or renewal in support thereof, without first providing the Secured Party: (i) sufficient written notice, of at least 30 days, to allow the Secured Party to timely pay any such maintenance fees or annuities which may become due on any Patents or Trademarks, or to file any affidavit or renewal with respect thereto, and (ii) a separate written power of attorney or other authorization to pay such maintenance fees or annuities, or to file such affidavit or renewal, should such be necessary or desirable.

(i) **Secured Party's Right to Take Action.** If the Debtor fails to perform or observe any of its covenants or agreements set forth in this Section 3, and if such failure continues for a period of ten (10) calendar days after the Secured Party gives the Debtor written notice thereof (or, in the case of the agreements contained in subsection (h), immediately upon the occurrence of such failure, without notice or lapse of time), or if the Debtor notifies the Secured Party that it intends to abandon a Patent or Trademark, the Secured Party may (but need not) perform or observe such covenant or agreement or take steps to prevent such intended abandonment on behalf and in the name, place and stead of the Debtor (or, at the Secured Party's option, in the Secured Party's own name) and may (but need not) take any and all other actions which the Secured Party may reasonably deem necessary to cure or correct such failure or prevent such intended abandonment.

(j) **Costs and Expenses.** Except to the extent that the effect of such payment would be to render any loan or forbearance of money usurious or otherwise illegal under any applicable law, the Debtor shall pay the Secured Party on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees and disbursements) incurred by the Secured Party in connection with or as a result of the Secured Party's taking action under subsection (i) or exercising its rights under Section 6, together with interest thereon from the date expended or incurred by the Secured Party at the Default Rate.

(k) **Power of Attorney.** To facilitate the Secured Party's taking action under subsection (i) and exercising its rights under Section 6, the Debtor hereby irrevocably appoints (which appointment is coupled with an interest) the Secured Party, or its delegate, as the attorney-in-fact of the Debtor with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file, in the name and on behalf of the Debtor, any and all instruments, documents, applications, financing statements, and other agreements and writings required to be obtained, executed, delivered or endorsed by the Debtor under this Section 3, or, necessary for the Secured Party, after an Event of Default, to enforce or use the Patents or Trademarks or to grant or issue any exclusive or non-exclusive license under the Patents or Trademarks to any third party, or to sell, assign, transfer, pledge, encumber or otherwise transfer title in or dispose of the Patents or Trademarks to any third party. The Debtor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. The power of attorney granted herein shall terminate upon the termination of the Credit Agreement as provided therein and the payment and performance of all Obligations.

4. **Debtor's Use of the Patents and Trademarks.** The Debtor shall be permitted to control and manage the Patents and Trademarks, including the right to exclude others from making, using or selling items covered by the Patents and Trademarks and any licenses thereunder, in the same manner and with the same effect as if this Agreement had not been entered into, so long as no Event of Default occurs and remains uncured.

5. **Events of Default.** Each of the following occurrences shall constitute an event of default under this Agreement (herein called "Event of Default"): (a) an Event of Default, as defined in the Credit Agreement, shall occur; or (b) the Debtor shall fail promptly to observe or perform any covenant or agreement herein binding on it; or (c) any of the representations or warranties contained in Section 3 shall prove to have been incorrect in any material respect when made.

6. **Remedies.** Upon the occurrence of an Event of Default and at any time thereafter, the Secured Party may, at its option, take any or all of the following actions:

(a) The Secured Party may exercise any or all remedies available under the Credit Agreement.

(b) The Secured Party may sell, assign, transfer, pledge, encumber or otherwise dispose of the Patents and Trademarks.

(c) The Secured Party may enforce the Patents and Trademarks and any licenses thereunder, and if Secured Party shall commence any suit for such enforcement, the Debtor shall, at the request of Secured Party, do any and all lawful acts and execute any and all proper documents required by Secured Party in aid of such enforcement.

7. **Miscellaneous.** This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by the Secured Party. A waiver signed by the Secured Party shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of the Secured Party's rights or remedies. All rights and remedies

of the Secured Party shall be cumulative and may be exercised singularly or concurrently, at the Secured Party's option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. All notices to be given to Debtor under this Agreement shall be given in the manner and with the effect provided in the Credit Agreement. The Secured Party shall not be obligated to preserve any rights the Debtor may have against prior parties, to realize on the Patents and Trademarks at all or in any particular manner or order, or to apply any cash proceeds of Patents and Trademarks in any particular order of application. This Agreement shall be binding upon and inure to the benefit of the Debtor and the Secured Party and their respective participants, successors and assigns and shall take effect when signed by the Debtor and delivered to the Secured Party, and the Debtor waives notice of the Secured Party's acceptance hereof. The Secured Party may execute this Agreement if appropriate for the purpose of filing, but the failure of the Secured Party to execute this Agreement shall not affect or impair the validity or effectiveness of this Agreement. A carbon, photographic or other reproduction of this Agreement or of any financing statement signed by the Debtor shall have the same force and effect as the original for all purposes of a financing statement. This Agreement shall be governed by the internal law of the State of California without regard to conflicts of law provisions. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Obligations.


[remainder of this page intentionally left blank]

THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Patent and Trademark Security Agreement as of the date written above.

Sevylor, Inc.
6651 East 26th Street
Los Angeles, CA 90040
Telecopier: (323) 726-0481
Attention: Konstantin Klimenko
e-mail: cklimenko@sevylor.com

SEVYLOR, INC.

By: 
Name: K. KLIMENKO
Its: CEO

Wells Fargo Business Credit, Inc.
245 S. Los Robles Avenue, Suite 700
Pasadena, California 91101
Telecopier: (626) 844-9063
Attention: Tor M. Hylbom
e-mail: tor.m.hylbom@wellsfargo.com

WELLS FARGO BUSINESS CREDIT, INC.


By: 
Name: Tor M. Hylbom
Its: Assistant Vice President

EXHIBIT A
TO PATENT AND TRADEMARK SECURITY AGREEMENT

Patents

<u>Country</u>	<u>Number</u>	<u>Issue Date</u>	<u>Title</u>
France	9910358	January 4, 2002	Mattress Assemblies
U.S.	5618218	April 8, 1997	Inflatable Water Toy
U.S.	D385325	October 21, 1997	Inflatable Water Toy
U.S.	D405861	February 16, 1999	Grab Handle for a Swim Ring
U.S.	D407937	April 13, 1999	Trundle Bed
U.S.	5947563	September 7, 1999	Inflatable Leisure Chair
U.S.	5951111	September 14, 1999	Inflatable Sofa
U.S.	D418803	January 11, 2000	Grab Handle for an Inflatable Raft
U.S.	6058507	May 9, 2000	Inflatable Fabrics and Clothing
U.S.	D425165	May 16, 2000	Inflatable Pool With Cover
U.S.	6076214	June 20, 2000	Inflatable Mattress Assemblies
U.S.	6102759	August 15, 2000	Inflatable Raft With Accordion Container
U.S.	6224444	May 1, 2001	Inflatable Chair or Other Structure Adapted for Certain Types of Use in Water
U.S.	6283056	September 4, 2001	Components of Inflatable Objects
U.S.	6318287	November 20, 2001	Inflatable Deflector
U.S.	6394018	May 28, 2002	Inflatable Deflect

Patent Applications

<u>Country</u>	<u>Number</u>	<u>Issue Date</u>	<u>Title</u>
U.S.	09/639558	August 16, 2000	Inflatable Watercraft and Cargo Holding Systems
U.S.	10/119870	April 10, 2002	Inflatable Sleds, Watercraft and Other Objects
U.S.	10/227668	August 26, 2002	Inflatable Recreational Device Adapted Principally for Water Park Use, Sledding, or Otherwise
U.S.	29/166336	August 26, 2002	Inflatable Object
U.S.	29/166337	August 26, 2002	Inflatable Object

**EXHIBIT B
TO PATENT AND TRADEMARK SECURITY AGREEMENT**

Trademarks

TRADEMARK	COUNTRY	FILING DATE	REG. DATE	APP. NO.	REG. NO.
SEVYLOR	ARGENTINA	10/2/1996	12/2/1997	2051079	1652184
SEVYLOR	BRAZIL	10/18/1996	4/27/1999	819.561.347	819.561.347
SEVYLOR	BRAZIL	2/4/1997	7/20/1999	819.809.446	819.809.446
SEVYLOR	BRAZIL	2/4/1997	7/20/1999	819.809.454	819.809.454
SEVYLOR	BRAZIL	2/4/1997	8/10/1999	819.809.462	819.809.462
SEVYLOR	CHILE	9/30/1996	10/23/1997	356.339	495.374
SEVYLOR	CHILE		1/12/1998	376.094	500.961
SEVYLOR	CHILE		12/31/1997	376.093	500.295
SEVYLOR	CHINA	4/9/1998	12/28/1999	9800032972	1348196
SEVYLOR	CANADA	4/18/2000	5/1/2002	1055598	561178
SEVYLOR	KOREA	2/16/2002		34901/175097	
SEVYLOR	MALAYSIA	10/14/1996		96/12503	
SEVYLOR	MEXICO	11/9/1992		153997	440517
SEVYLOR	MEXICO	2/18/1991			401763
SEVYLOR	SINGAPORE	10/22/1996	10/22/1996	11482/96	T96/11482A
SEVYLOR	TAIWAN		5/1/1987		00364880
COMFORTOP	USA	10/28/1998	10/17/2000	75/576473	2396390
SEVYMARINE	USA	9/22/1998	7/4/2000	75/557815	2363842
SEVYTEX	USA	9/22/1998	5/22/2001	75/557606	2453626
SEVYLOR	USA	4/12/1999	9/19/2000	75/679647	2388731

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