

12-20-1999



101227880

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

U.S. Department of Commerce
Patent and Trademark Office
TRADEMARK

MWD 12.1.99

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- New
- Resubmission (Non-Recordation)
Document ID #
- Correction of PTO Error
Reel # Frame #
- Corrective Document
Reel # Frame #

Conveyance Type

- Assignment
- License
- Security Agreement
- Nunc Pro Tunc Assignment
- Merger
Effective Date
Month Day Year
- Change of Name
- Other

Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

- Individual
- General Partnership
- Limited Partnership
- Corporation
- Association
- Other
- Citizenship/State of Incorporation/Organization

Receiving Party

Mark if additional names of receiving parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City

State/Country

Zip Code

- Individual
- General Partnership
- Limited Partnership
- Corporation
- Association
- Other
- Citizenship/State of Incorporation/Organization

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

12/20/1999 DWGUYEN 00000171 1377300

FOR OFFICE USE ONLY

01 FC:481
02 FC:482

40.00 OP
25.00 OP

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

Mail documents to be recorded with required cover sheet(s) information to:
Commissioner of Patents and Trademarks, Box Assignments, Washington, D.C. 20231

TRADEMARK
REEL: 002001 FRAME: 0046

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Pages

Enter the total number of pages of the attached conveyance document including any attachments. #

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

Number of Properties

Enter the total number of properties involved. #

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41): \$

Method of Payment: Enclosed Deposit Account

Deposit Account

(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number: #

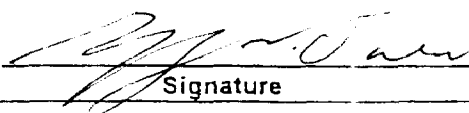
Authorization to charge additional fees: Yes No

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. Charges to deposit account are authorized, as indicated herein.

Gregory N. Owen

Name of Person Signing



Signature

12/1/99

Date Signed

CONDITIONAL ASSIGNMENT AND SECURITY AGREEMENT

THIS AGREEMENT is entered into this 14 day of November, 1999 by and between Coral Head, Inc., a California corporation with offices at 16722 Hale Avenue, Irvine, California 92714 (Borrower) and Union Bank of California, a national banking association with offices at 15800 South Western Avenue, Gardena, California 90247 (UBOC), as agent (Agent) for UBOC and Celtic Capital Corporation (UBOC and Celtic Capital Corporation referred to collectively as the "Creditors,"), parties to the Intercreditor Agreement dated as of the date hereof.

WITNESSETH:

WHEREAS, UBOC and Celtic Capital Corporation have entered into the Intercreditor Agreement, pursuant to which Creditors, contemporaneously with the execution and delivery of this Agreement, are extending certain financial accommodations to Borrower for the purpose of financing the acquisition by Borrower of the Assets of Hawaiian Island Creations, Inc. pursuant to the terms and conditions of a certain Asset Purchase Agreement dated November 5, 1999;

WHEREAS, Borrower executed a Security Agreement October 25, 1999;

WHEREAS, Borrower owns and/or uses in its business, and will in the future adopt, own, and/or so use various intangible assets, including, but not limited to, the Trademark Collateral (as hereinafter defined);

WHEREAS, Agent, for the benefit of Creditors, desires to be a secured creditor with respect to the Trademark Collateral, and Borrower agrees to create in Agent a secured and protected interest in the Trademark Collateral;

WHEREAS, upon the occurrence of and during the continuance of an Event of Default, and to permit Agent to continue operating Borrower's business without interruptions and to use the Trademark Collateral in conjunction therewith, Borrower is willing to appoint Agent as Borrower's attorney to execute, on behalf of Borrower, an assignment or assignments of Borrower's entire right, title, and interest in and to the Trademark Collateral;

NOW, THEREFORE in consideration of the promises and agreements set forth herein, the parties, each intending to be legally bound hereby, do promise and agree as follows:

1. DEFINITIONS

A. "Agreement" shall mean this Conditional Assignment and Security Agreement, as it may be amended, supplemented, or otherwise modified from time to time.

B. "Trademarks" shall mean all the trademarks, service marks, designs, logos, indicia, trade names, corporate names, company names, business names, fictitious business names, trade styles, elements of package or trade dress, and/or other source and/or product or service

identifiers, used or associated with or appurtenant to the products, services, and business of Borrower, which are set forth on schedule A.

C. "Trademark Rights" shall mean any and all past, present, or future rights in, to, and associated with the Trademarks throughout the world, whether arising under federal law, state law, common law, foreign law, or otherwise; including, but not limited to, the following: all such rights arising out of or associated with the Trademark Registrations; the right (but not the obligation) to register claims under any state, federal, or foreign trademark law or regulation; the right (but not the obligation) to sue or bring opposition or cancellation proceeding in the name of Borrower or Agent for any and all past, present, and future infringements or dilution of or any other damages or injury to the Trademarks, the Trademark Rights, or the Associated Goodwill (as defined below), and the rights to damages or profits due or accrued arising out of or in connection with any such past, present, or future infringement, dilution, damage, or injury.

D. "Associated Goodwill" shall mean all goodwill of Borrower or its business, products, and services appurtenant to, associated with, or symbolized by the Trademarks and/or the use thereof.

E. "Trademark Collateral" shall mean all of Borrower's right, title, and interest in and to all of the Trademarks, the Trademark Registrations, the Trademark Rights, the Associated Goodwill, and all accessions to, substitutions for, replacements of, and all products and proceeds of any and all of the foregoing.

2. GRANT OF SECURITY AND CONDITIONAL ASSIGNMENT

A. As collateral security for the complete and timely payment, performance, and satisfaction of all Obligations, Borrower hereby unconditionally grants to Agent, for the benefit of Creditors, a continuing security interest in and first priority lien on the Trademark Collateral, and pledges and mortgages (but does not transfer title to) the Trademark Collateral to Agent, for the benefit of Creditors.

B. In addition to, and not by way of limitation of, the grant, pledge, and mortgage of the Trademark Collateral provided in Section 2.A, Borrower hereby grants, assigns, transfers, conveys, and sets over to Agent for the benefit of Creditors, its entire right, title, and interest in and to the Trademark Collateral; provided, however, that such grant, assignment, transfer, and conveyance shall be and become of force and effect only upon or after the occurrence and during the continuance of an Event of Default under the Security Agreement and either (i) upon the written demand of Agent at any time during such continuance or (ii) immediately and automatically (without notice or action of any kind by Agent) upon the sale or other disposition of or foreclosure pursuant to the Security Agreement and Article 9 of the Uniform Commercial Code (including the transfer or other disposition of the Collateral by Borrower to Agent in lieu of foreclosure).

C. Borrower acknowledges and agrees that, upon the effectiveness of such grant, assignment, transfer, and conveyance, Agent, for the benefit of Creditors, shall have the cumulative rights in and to the Trademark Collateral as are provided in this Agreement and in the Security Agreement, and shall have the rights in and to the Collateral (other than the Trademark

Collateral) as are provided in the Security Agreement.

D. The parties acknowledge and agree that, contemporaneously with the execution and delivery of this Agreement, they are executing and delivering the Security Agreement pursuant to which Borrower unconditionally grants to Agent, for the benefit of Creditors, a continuing security interest in and first priority lien on the Collateral (including the Trademark Collateral). Such Security Agreement, and all rights and interests of Agent in and to the Collateral (including the Trademark Collateral) thereunder, are hereby ratified, confirmed, adopted, and approved. In no event shall this Agreement, the grant, assignment, transfer, and conveyance of the Trademark Collateral hereunder, or the recordation of this Agreement (or any document hereunder) with the United States Patent and Trademark Office (PTO), adversely affect or impair, in any way or to any extent, the Security Agreement, the security interest of Agent in this Collateral (including the Trademark Collateral) pursuant to the Security Agreement and/or this Agreement, the attachment and perfection of such security interest under the Uniform Commercial Code, or the present or future rights and interests of Agent in and to the Collateral under or in connection with the Security Agreement, this agreement, and/or the Uniform Commercial Code. Any and all rights and interests of Agent in and to the Trademark Collateral (and any and all obligations of Borrower with respect to the Trademark Collateral) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of Agent (and the obligations of Borrower) in, to, or with respect to the Collateral (including the Trademark Collateral) provided in or arising under or in connection with the Security Agreement.

E. Upon the effectiveness of the grant, assignment, transfer, and conveyance provided herein, Agent shall own the entire right, title, and interest in and to the Trademark Collateral, free and clear of any lien, charge, encumbrance, or claim of Borrower or any other party, upon such effectiveness, in addition to all other rights and remedies of Agent, whether under law, the Credit Agreement, the Security Agreement, or otherwise (all such rights and remedies being cumulative, not exclusive, and enforceable alternatively, successively, or concurrently, without notice to or consent by Borrower except as expressly provided otherwise herein), Agent's rights and remedies with respect to the Trademark Collateral, for the benefit of Creditors, shall include, but not be limited to, the following, without payment of royalty or compensation of any kind to Borrower except as expressly provided otherwise herein:

1. Agent may exercise, in respect to the Trademark Collateral all the rights and remedies of a secured party on default under the Uniform Commercial Code (regardless of whether such Code applies to the affected Trademark Collateral).
2. Agent may operate the business of Borrower using the Trademark Collateral.
3. Agent may, to the same extent that Borrower has the right to do so immediately prior to the effectiveness of the grant, assignment, transfer, and conveyance provided herein, license or sublicense, whether general, special, or otherwise, and whether on an exclusive or nonexclusive basis, any of the Trademark Collateral, throughout the world for such term or terms, on such conditions, and in such manner, as Agent shall in its sole discretion determine.

4. Agent may (without assuming any obligations or liability thereunder), at any time, enforce (and shall have the exclusive right but not the obligation to enforce) against any licensor, licensee, or sublicensee all trademark license rights of the Borrower, and take or refrain from taking any such action.

5. Agent may, to the extent permitted by law, in its sole discretion, without notice except as specified below, assign, sell, or otherwise transfer or dispose of the Trademark Collateral or any part thereof, either with or without special or other conditions or stipulations, with power to buy the Trademark Collateral or any part of it in one or more portions at public or private sale, at any of Agent's offices or elsewhere, at such time or times, for cash, on credit, or for future delivery, and at such price or prices and upon such other terms as Agent may deem commercially reasonable, irrespective of the impact of any such sales on the market price of any of the Trademark Collateral. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of Borrower or any party claiming through Borrower, and Borrower hereby waives (to the extent permitted by law) all rights of redemption, stay, and/or appraisal that is now, has, or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Borrower agrees that, to the extent notice of sale shall be required by law, at least sixty (60) days' notice to Borrower 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. At any sale of the Trademark Collateral, if permitted by law, Agent may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for and purchase the Trademark Collateral or any portion thereof for the account of Agent (on behalf of Creditors). Agent shall not be obligated to make any sale of the Trademark Collateral regardless of notice of sale having been given. Agent 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 was adjourned. Borrower recognizes that Agent may elect in its sole discretion to sell all or part of the Trademark Collateral to one or more purchasers in privately negotiated transactions. Borrower hereby waives any claims against Agent arising by reason of the fact that the price at which any Trademark Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if Agent accepts the first offer received and does not offer such Trademark Collateral to more than one offeree. Agent shall also have the power to execute assurances and do all other acts and things for completing the assignment, sale, transfer, or disposition which Agent, in its sole discretion, deems appropriate or proper.

6. In addition to the foregoing, in order to implement the assignments, sale, transfer, or other disposition of any of the Trademark Collateral pursuant to the provisions herein, Agent may, pursuant to the authority granted in the power of attorney provided for herein (such authority becoming effective after the occurrence and during the continuation of an Event of Default, execute and deliver on behalf of Borrower one or more instruments of assignment of the Trademark Collateral, in form suitable for filing, recording, or registration in any jurisdiction or country.

F. Upon the effectiveness of the grant, assignment, transfer, and conveyance provided for herein, Borrower shall have no right, title, or interest in or to any of the Trademark Collateral, and Borrower shall immediately cease and desist in the use of the Trademarks or any colorable imitation thereof, and shall, upon written demand of Agent, deliver to Agent (or Agent's designee) all unused or unsold goods bearing the Trademarks.

G. In addition, upon the effectiveness of the grant, assignment, transfer, and conveyance provided for herein, upon the written demand of Agent, Borrower shall execute and deliver to Agent an assignment or assignments of the Trademark Collateral and such other documents as are necessary or appropriate to carry out the intent and purposes of this Agreement; provided that the failure of Borrower to comply with such demand will not impair or affect the validity of the assignment effected by this Agreement. Borrower agrees that any such assignment and/or any recording thereof shall be applied to reduce the Obligations outstanding only to the extent that Agent (or a Creditor) actually receives cash proceeds in respect of the assignment, sale, or disposition of, or other realization upon, the Trademark Collateral.

H. Nothing herein contained shall be construed as requiring Agent to take any of the foregoing actions at any time.

3. REPRESENTATIONS, WARRANTIES, AND COVENANTS OF BORROWER

Borrower represents and warrants to, and covenants and agrees with, Agent, as follows:

A. Borrower has the full power and authority to execute and deliver this Agreement, to perform its obligations hereunder, and to subject the Trademark Collateral to the terms hereof. The execution, delivery, and performance of this Agreement will not conflict with or contravene any contractual provision binding on Borrower with respect to the Trademark Collateral.

B. Borrower is and will continue to be the sole and exclusive owner of the entire legal and beneficial right, title, and interest in and to the Trademarks, the Trademark Collateral, and the Trademark Rights free and clear of any liens, charges, security interest, or other encumbrance except for the security interest and conditional assignment created by this Agreement and the Security Agreement. Borrower will defend its right, title, and interests in and to the Trademarks, the Trademark Collateral, and the Trademark Rights against any and all claims of any third parties.

C. To the best of Borrower's knowledge and belief, Borrower has, and shall continue to have, the exclusive right to use all the Trademarks in the manner in which they are now used, with the goods and services with which they are now used (and, in the case of registered Trademarks, for which they are registered), and throughout the geographic areas in which they are now used (and, in the case of registered Trademarks, throughout the jurisdictions in which they are registered), free and clear of any liens, charges, encumbrances, claims, or rights of any third party, or restrictions on the rights of Borrower to protect or enforce any of its Trademark Rights against any third party.

D. Borrower shall promptly notify Agent of the institution of and any adverse decision in any

proceeding in the PTO or any similar office or agency of the United States or any state or any foreign country, or any court, regarding Borrower's claim of ownership in any of the Trademarks or related Trademark Collateral, its right to register any of the same, or to keep and maintain any such registration.

E. Borrower shall take any and all such actions (including but not limited to institution and maintenance of suits, proceedings, or actions) as may be necessary or appropriate to properly maintain, protect, preserve, care for, and enforce the Trademarks, Trademark Registrations, Trademark Rights, and Associated Goodwill. Without limiting the generality of the foregoing, Borrower shall pay when due all fees, taxes, and other expenses that shall be incurred or shall accrue with respect to any of the Trademarks or the Trademark Collateral.

F. In order to protect and maintain the Trademark Collateral, and to prevent any deception of the public, Borrower shall operate its business and use the Trademarks in accordance with the same requirements and quality standards as in the past have been and now are applicable to its goods and services, and shall maintain the quality of all such goods and services, sold or provided under or in connection with the Trademarks commensurate with the quality of the business, goods, and services now and previously associated with the Trademarks.

G. Borrower has at all times in the past used, and shall in the future use, the Trademarks with the statutory and other appropriate notices of the registrations and ownership thereof, and shall not use the Trademarks without such notices.

H. Borrower shall, upon reasonable prior notice by Agent and at reasonable times, permit Agent (or Agent's designee) from time to time to review, examine, or evaluate the offices, plants, and facilities (whether owned by Borrower, an affiliate of Borrower, or a subcontractor to Borrower) that manufacture, inspect, store, or provide goods or services under or in association with any of the Trademarks, and the production and quality control records pertaining thereto, in order that Agent may be assured that the quality of such goods and services is being maintained as required by this Agreement, that the Trademarks are being properly used with such goods and services, and that appropriate notices of registration and ownership of the Trademarks are being used as required by this Agreement. In the event that Agent believes that such quality is not being maintained, or that the Trademarks or such notices are not being used properly and as required hereby, Agent may so advise Borrower, in which case Borrower shall promptly take the necessary corrective action to maintain such quality and use the Trademarks and such notices properly and as required by this Agreement.

I. Borrower shall not take any actions or enter into any agreements, including but not limited to any actions or agreements for the assignment, sale, transfer, license, disposition, grant of any interest in, or encumbrance of any of the Trademark Collateral that are inconsistent with or would or might impair in any way Borrower's representations, warranties, and covenants herein, without the prior written consent of Agent (which consent, in the case of license agreements only, shall not be unreasonably withheld). Without limiting the generality of the foregoing, Borrower shall not permit the inclusion in any agreement to which it becomes a party of any provision which could or might in any way impair or prevent the creation of a security interest in or the conditional assignment of Borrower's rights and interests in any property acquired under

such agreement which is included within the definition of Trademark Collateral.

J. Borrower shall not abandon any of the Trademarks, Trademark Registrations, or Trademark Rights, or do any act or omit to do any acts if such act or omission is of a character that tends to cause or contribute to the abandonment of any Trademark, Trademark Registration, or Trademark Right or loss of or adverse effect on any rights in any Trademark, Trademark Registration, or Trademark Right. Prohibited acts of the Borrower shall include but not be limited to "assignments in gross" of any Trademark or the license of any Trademark without both appropriate contractual use and quality control provisions and proper monitoring, supervision, and enforcement by Borrower of the quality of the licensed goods or services

K. To the best of Borrower's knowledge and belief, except as set forth, there is at present no material infringement or unauthorized or improper use of the Trademark or Trademark Registrations. Borrower shall use its best efforts to detect any such infringement or unauthorized or improper use. In the event of any such infringement or unauthorized or improper use by any third party, Borrower shall promptly notify Agent and shall have the first opportunity to sue and recover therefor and to retain any and all damages so recovered or obtained. In the event Borrower fails to so sue or bring legal action, Borrower shall notify Agent within sixty (60) days after the date of original notice to Borrower of infringement or unauthorized or improper use and, thereafter, Agent shall save the right (but not the obligation), at Borrower's expense (including but not limited to reasonable attorney fees), and in the name of Borrower or Agent (in the sole discretion of Agent), to sue and recover therefor and obtain directly any and all damages recoverable on account thereof; any expenses incurred by Agent in any such case shall be added to the principal amount of the obligations and shall bear interest at the rate applicable to overdue principal on the loan under the Security Agreement.

L. Except as provided for herein, Borrower, with counsel of its own choosing reasonably acceptable to Agent and at Borrower's expense, shall take all necessary and appropriate actions to preserve and maintain in full force and effect all Trademarks, Trademark Registrations, and Trademark Rights, including, but not limited to, filing and diligently prosecuting all necessary or appropriate applications for registration, opposition, and cancellation proceedings, affidavits of use, affidavits of incontestability, and registration renewal applications.

M. This Agreement will create in favor of Agent, for the benefit of Creditors, a valid and perfected first priority security interest in the Trademark Collateral upon making the filings referred to herein.

N. Except for the filing of financing statements with the appropriate Secretary of State under the Uniform Commercial Code and filings with the PTO with respect to the Trademark Collateral necessary to perfect and record the security interest and conditional assignment created hereunder, no authorization, approval, or other action by, and no notice to or filing with, any governmental or regulatory authority, agency, or office is required either (i) for the grant by Borrower or the effectiveness of the security interest and conditional assignment granted hereby or for the execution, delivery, and performance of this Agreement by Borrower, or (ii) for the perfection of or the exercise by Agent of its rights and remedies hereunder; provided, however, that the foregoing representation and warranty shall not apply to foreign Trademark Rights.

4. CONSIDERATION AND ENFORCEMENT

A. Upon the occurrence and during the continuation of an Event of Default, Agent is hereby given full power and authority, without notice or demand, (i) to notify any and all obligers with respect to the Trademark Collateral or any part thereof, and (ii) to demand, take, collect, sue for, and receive for its own use and account all amounts due or to become due Borrower in respect of the Trademark Collateral, and in connection therewith to enforce all rights and remedies with respect to the Trademark Collateral or any part thereof that Borrower could enforce; and Borrower hereby ratifies any and all actions that Agent may lawfully take to enforce Agent's rights hereunder. Regardless of whether Agent shall have so notified any obligers, the Borrower shall at its expense cooperate with Agent and render all reasonable assistance to Agent in enforcing claims against such obligers.

B. Except as otherwise provided for herein, Borrower shall have the right and the obligation to commence and prosecute in its own name, as real party in interest, for its own benefit and at its own expense, such suits, proceedings, or other actions to restrain, prevent, or recover for infringement, misuse, unfair competition, dilution, or other damage as are in its reasonable business judgment necessary or appropriate to maintain, protect, and enforce the Trademarks, Trademark Registration, Trademark Rights, and Associated Goodwill. Borrower shall indemnify and hold harmless Agent from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses, or disbursements (including but not limited to attorney fees) of any kind whatsoever that may be imposed on, incurred, or suffered by or asserted against Agent in connection with or in any way arising out of such suits, proceedings, or actions.

5. FURTHER ASSURANCES

A. Upon obtaining knowledge thereof, Borrower will promptly notify Agent in writing of any event which does or reasonably could materially adversely affect the value of any of the Trademarks, Trademark Registrations, Trademark Rights, or Associated Goodwill, the ability of Borrower or Agent to dispose of any of the Trademarks, Trademark Registrations, Trademark Rights, or Associated Goodwill, or the rights and remedies of Agent in relation to any of the Trademarks, Trademark Registrations, Trademark Rights, or Associated Goodwill, including but not limited to the institution or levy of any legal process against any of the Trademarks, Trademark Registrations, Trademark Rights, or Associated Goodwill.

B. Upon the request of Agent, Borrower will use its best efforts to obtain any necessary consents of third parties to the grant and perfection of the security interest in the Trademark Collateral, and/or to the grant of effectiveness of the conditional assignment of the Trademark Collateral provided for herein.

6. LIABILITIES, INDEMNITY, AND COSTS

Borrower shall indemnify and hold harmless Agent from and against, and shall pay to Agent on demand, any and all claims, actions, suits, judgments, penalties, losses, damages, costs, disbursements, expenses, obligations, or liabilities of any kind or nature (except those resulting

from Agent's gross negligence or willful misconduct) arising in any way out of or in connection with this Agreement, the Trademark Collateral, custody, preservation, use, or operation of the Trademark Collateral, any alleged infringement of the intellectual property rights of any third party, the production, marketing, delivery, and sale of the goods and services provided under or in connection with any of the Trademarks or the Trademark Collateral, the sale of, collection from, or other realization upon any of the Trademark Collateral, the failure of Borrower to perform or observe any of the provisions hereof, or matters related to any of the foregoing prior to the effectiveness of the grant, assignment, transfer, and conveyance provided for herein. Borrower shall also indemnify and hold harmless Agent from and against any and all claims, actions, suits, judgments, penalties, losses, damages, disbursements, expenses, obligations, or liabilities arising out of or in connection with any improper act or omission of Borrower (regardless of whether such act or omission occurred or occurs prior so or after such effectiveness). Borrower shall make no claim against Agent for or in connection with the exercise or enforcement by Agent of any right or remedy granted to it hereunder, or any action taken or omitted to be taken by Agent hereunder (except for the gross negligence or willful misconduct of Agent).

7. POWER OF ATTORNEY

Borrower hereby grants to Agent, and any officer or agent of Agent as Agent may designate in its sole discretion, a power of attorney, thereby instituting and appointing Agent (and Agent's designee) its true and lawful attorney-in-law and attorney-in-fact, effective upon the occurrence and during the continuation of an Event of Default, for the purpose of assigning, selling, or otherwise disposing of all right, title, and interest of Borrower in and to any of the Trademark Collateral, to execute and deliver any and all agreements, documents, instruments of assignment, licenses, or transfers of the Trademark Collateral, and do all other acts which Borrower is obligated to execute or do under any provision of this agreement, and to execute any and all documents, statements, certificates, or other documents necessary or advisable to effect any of the purposes set forth herein as Agent (or Agent's designee) may in its sole discretion determine. Borrower hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof.

8. TERMINATION

This Agreement shall create a continuing security interest in and conditional assignment of the Trademark Collateral. Upon payment and satisfaction in full of Borrower's obligations this Agreement shall automatically terminate and shall be of no further force and effect, and the security interest granted hereby shall terminate and all rights to the Trademark Collateral shall revert to Borrower. Upon any such termination, Agent shall execute and deliver to Borrower such documents, and shall take such other actions, all at the expense of Borrower, as may reasonably be requested by Borrower to evidence or record such termination.

9. JURISDICTION AND DISPUTES

A. This Agreement shall be governed by the laws of the state of California.

B. All disputes hereunder shall be resolved in the applicable state or federal courts of California. The parties consent to the jurisdiction of such courts, agree to accept service of process by mail, and waive any jurisdictional or venue defenses otherwise available.

10. AGREEMENT BINDING ON SUCCESSORS

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their heirs, administrators, successors, and assigns.

11. WAIVER

No waiver by either party of any default shall be deemed as a waiver of any prior or subsequent default of the same or other provisions of this Agreement.

12. SEVERABILITY

If any provision hereof is held invalid or unenforceable by a court of competent jurisdiction, such invalidity shall not affect the validity or operation of any other provision and such invalid provision shall be deemed to be severed from the Agreement. The parties agree they will negotiate in good faith to replace any provision so held invalid, illegal, or unenforceable, or so determined, with a valid, enforceable, and effective provision that is as similar as possible in substance and effect to the provision that is invalid, illegal, unenforceable, or of no effect.

13. ASSIGNABILITY

A. Company may not assign its rights or obligations under this Security Agreement without the prior express written consent of UBOC.

B. UBOC shall have the absolute, unfettered right to transfer this Agreement and its rights and obligations thereunder to any third party upon reasonable notice to Borrower.

14. INTEGRATION

This Agreement constitutes the entire understanding of the parties, and revokes and supersedes all prior agreements between the parties and is intended as a final expression of their Agreement. It shall not be modified or amended except in writing signed by the parties hereto and specifically referring to this Agreement. This Agreement shall take precedence over any other documents which may be in conflict therewith.

15. SMALL BUSINESS ADMINISTRATION LOAN

The loan secured by this lien was made under a United States Small Business Administration (SBA) Nationwide Program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations:

- A) When SBA is the holder of the Note, this document and all documents evidencing or securing this loan will be construed in accordance with Federal Law.
- B) Lender or SBA may use Local or State procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any Federal immunity from Local or State control, penalty, tax or liability. No borrower or guarantor may claim or assert against SBA any Local or State law to deny any obligation of borrower, or defeat any claim of SBA with respect to this loan.

Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the note secured by this document.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have each caused to be affixed hereto its or his/her hand and seal the day indicated.

CORAL HEAD, INC.

UNION BANK OF CALIFORNIA, N.A.

By: *Ronald J. Joseph*

By: *Mark [Signature]*

Title: President

Title: Assistant Vice President

Date: 11/16/99

Date: 11/16/99

HAWAIIAN ISLAND CREATIONS

HIC

HIC (Stylized) - U.S. Trademark Registration Number 1,377,300

Miscellaneous Design (Volcano/sun/surfer) - U.S. Trademark Registration Number 1,377,301

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