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FORM PTO-1595 (Rev 8/93)

12-11-98

RE

U.S. DEPARTMENT OF COMMERCE Patent and Trademark Office

OMB No. 0651-0011 (exp. 4/04)



Tab settings

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original documents or copy thereof.

1. Name of conveying party(ies):

The Staver Company, Incorporated

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

2. Name and address of receiving party(ies)

Name: Foothill Capital Corporation

Internal Address: Suite 200

Attn: Beth KASTL

Street Address: 7443 LEE DAVIS Rd.

City: Mechanicsville State: VA ZIP: 23111

Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:

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

Execution Date: October, 27, 1998

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

If this document is being filed together with a new application, the execution date of the application is:

A. Patent Application No.(s)

X See page 8 of the Security Agreement.

B. Patent No.(s)

"Schedule A" page No. 8

Additional numbers attached? Yes No

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

Name: Foothill Capital Corporation

Internal Address: Attn: Beth KASTL

Street Address: 7443 LEE DAVIS Rd.

Suite 200

City: Mechanicsville State: VA ZIP: 23111

6. Total number of applications and patents involved: 9

7. Total fee (37 CFR 3.41): \$ 360.00

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

(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.

C. Sue Bradley
Name of Person Signing

[Signature]
Signature

12/7/98
Date

Total number of pages including cover sheet, attachments, and document: 12

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

12/16/1998 SRURNS 00000099 5266935

01 FC:581 360.00 DP

Schedule A
to
Patent Security Agreement

<u>Patent No.</u>	<u>Title</u>
5,266,935	Pixel display assembly
5,022,171	Matrix display assembly having multiple point lighting
4,974,353	Matrix display assembly having multiple point lighting
4,945,401	Heat dissipator for semiconductor unit
4,941,427	Matrix display system and method
4,605,058	Heat dissipating retainer for electronic package
4,425,864	Rotor for electromagnetic indicator
D 262,383	Electromagnetic display
4,393,362	Electromagnetic indicator having a rotor disposable in discrete position

PATENT SECURITY AGREEMENT

THIS PATENT SECURITY AGREEMENT (this "Agreement") is made and entered into as of October 20, 1998 between **THE STAVER COMPANY, INCORPORATED**, a New York corporation having its chief executive office at 41-51 Saxon Avenue, Bay Shore, New York 11706 (the "Grantor") and **FOOTHILL CAPITAL CORPORATION**, a California corporation having a mailing address at 7443 Lee Davis Road, Suite 200, Post Office Box 218, Mechanicsville, Virginia 23111 (the "Lender").

WITNESSETH:

WHEREAS, the Grantor and the Lender have entered into a Loan and Security Agreement dated as of August 7, 1998 (as amended, modified, supplemented and restated from time to time, the "Loan Agreement") providing for the extension of credit by the Lender to the Grantor; and

WHEREAS, the Lender has required, as a condition to the extension of further credit under the Loan Agreement, that the Grantor grant to the Lender security interests in and to the collateral hereinafter described.

NOW, THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor and the Lender hereby agree as follows:

1. Defined Terms

(a) Unless otherwise defined herein, each capitalized term used herein that is defined in the Loan Agreement shall have the meaning ascribed to such term in the Loan Agreement.

(b) The words "hereof", "herein", and "hereunder" and words of like import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and paragraph references are to this Agreement unless otherwise specified.

(c) All terms defined in this Agreement in the singular shall have comparable meanings when used in the plural and vice versa, unless otherwise specified.

2. Incorporation of Recitals. The recitals above are incorporated into this Agreement by this reference thereto and are made a part hereof.

3. Security Interest in Patents and Patent Licenses, etc. To secure the complete and timely payment and performance when due of all of the Obligations, the Grantor hereby grants to the Lender a first priority lien on and perfected security interest in, with power of sale to the extent permitted by applicable law, all of the Grantor's now owned or existing and hereafter acquired or arising:

(a) patents and applications for patents, including, without limitation, the patents and applications for patents listed on Schedule A attached hereto and made a part hereof, and (i) all renewals thereof, (ii) all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (iii) the right to sue for past, present and future infringements and dilutions thereof, (iv) the exclusive right to use all inventions disclosed and claimed thereunder, and (v) all of the Grantor's rights corresponding thereto throughout the world (all of the foregoing patents and applications for patents, together with the items described in clauses (i)-(v) in this paragraph 3(a), are sometimes hereinafter individually and/or collectively referred to as the "Patents"); and

(b) rights under or interest in any patent license agreements with any other party, whether the Grantor is a licensee or licensor under any such license agreement, including, without limitation, those patent license agreements listed on Schedule B attached hereto and made part hereof, and the right to prepare for sale and sell any and all assets now or hereafter owned by the Grantor and now or hereafter covered by such licenses (all of the foregoing are hereinafter referred to collectively as the "Patent Licenses").

4. Restrictions on Future Agreements. The Grantor will not, without the Lender's prior written consent, enter into any agreement, including, without limitation, any license agreement, which is inconsistent with this Agreement, and the Grantor further agrees that it will not take any action, and will use reasonable commercial efforts not to permit any action to be taken by others, including, without limitation, licensees, or fail to take any action, which would in any respect affect the validity or enforcement of the rights transferred to the Lender under this Agreement or the rights associated with the Patents or Patent Licenses.

5. New Patents and Patent Licenses. The Grantor represents and warrants that, to the best of its knowledge after reasonable inquiry, from and after the date hereof, (a) the Patents listed on Schedule A include all of the Patents and applications for Patents now owned or held by the Grantor, (b) the Patent Licenses listed on Schedule B include all of the patent license agreements under which the Grantor is the licensee or licensor, and (c) no liens, claims or security interests in such Patents and Patent Licenses have been granted by the Grantor to any Person other than the Lender, except that the Grantor's rights in the Patents and Patent Licenses are subject to the liens and other restrictions set forth on Schedule C attached hereto. If, prior to the termination of this

Agreement, the Grantor shall (i) obtain rights to any new patents or applications for patents, (ii) become entitled to the benefit of any patents or applications for patents, patent licenses or records of patents, or patent licenses, whether as licensee or licensor, or (iii) enter into any new patent license agreement, the provisions of paragraph 3 above shall automatically apply thereto. The Grantor shall give to the Lender written notice of each event described in clause (i), (ii) and (iii) of the preceding sentence promptly after the occurrence thereof. The Grantor hereby authorizes the Lender to modify this Agreement unilaterally (i) by amending Schedule A to include any future Patents, or applications for Patents and by amending Schedule B to include any future patent license agreement, which are Patents or Patent Licenses under paragraph 3 above or under this paragraph 5, and (ii) by filing, in addition to and not in substitution for this Agreement, a duplicate original of this Agreement containing on Schedule A or B thereto, as the case may be, such future patents, applications for patents and patent license agreements.

6. Royalties. The Grantor hereby agrees that the Lender's rights to use the Patents and Patent Licenses as authorized hereunder in connection with the Lender's exercise of its rights and remedies under paragraph 14 or under the Loan Agreement shall be coextensive with the Grantor's rights thereunder and with respect thereto and the Lender shall have no liability for royalties or other related charges on account of any such use.

7. Right to Inspect; Further Assignments and Security Interests. The Lender may at all reasonable times during normal business hours and with reasonable frequency (and at any time after the occurrence and during the continuation of an Event of Default) have access to, examine, audit, make copies and extracts from and inspect the Lender's books, records and operations relating to the Patents and Patent Licenses, provided, however, that in conducting such inspections and examinations, the Lender shall use reasonable efforts not to disturb unnecessarily the conduct of the Grantor's ordinary business operations. The Grantor agrees not to sell or assign its respective interests in, or grant any license under, the Patents or the Patent Licenses without the prior and express written consent of the Lender.

8. Nature and Continuation of the Lender's Security Interest; Termination of the Lender's Security Interest. This Agreement is made for collateral security purposes only. This Agreement shall create a continuing security interest in the Patents and Patent Licenses and shall terminate only when the Obligations have been paid in full and the Loan Agreement has been terminated. When this Agreement has terminated, the Lender shall promptly execute and deliver to the Grantor, at the Grantor's expense, all termination statements and other instruments as may be necessary or proper to terminate the Lender's security interest in the Patents and the Patent Licenses, subject to any disposition thereof which may have been made by the Lender in accordance with applicable law and the terms of this Agreement and the Loan Agreement.

9. Duties of the Grantor. The Grantor shall have the duty to: (a) prosecute diligently any application for a patent that is part of the Patents pending as of the date hereof or hereafter until the termination of this Agreement, and (b) make application for material patents, but only to the extent Grantor determines the actions under subparagraphs (a) and (b) are in the best business interests of Grantor. The Grantor further agrees (a) not to abandon any material Patent or material Patent License which is used in or useful to its business without the prior written consent

of the Lender, and (b) to use its reasonable efforts to maintain in full force and effect the Patents and Patent Licenses that are or shall be necessary or economically desirable in the operation of the Grantor's business. Any expenses incurred in connection with the foregoing shall be borne by the Grantor. The Lender shall not have any duty with respect to the Patents and Patent Licenses. Without limiting the generality of the foregoing, the Lender shall not be under any obligation to take any steps necessary to preserve rights in the Patents or Patent Licenses against any other parties, but the Lender may do so at its option from and after the occurrence (and during the continuance) of an Event of Default, and all reasonable and, in the commercially reasonable business judgment of the Lender, necessary, expenses incurred in connection therewith shall be for the sole account of the Grantor and shall be added to the Obligations secured hereby.

10. The Lender's Right to Sue. From and after the occurrence and during the continuation of an Event of Default, the Lender shall have the right, but shall not be obligated, to bring suit in its own name to enforce the Patents and the Patent Licenses and, if the Lender shall commence any such suit, the Grantor shall, at the request of the Lender, do any and all lawful acts and execute any and all proper documents required in aid of such enforcement and requested by the Lender. The Grantor shall, upon demand, promptly reimburse the Lender for all reasonable and, in the commercially reasonable business judgment of the Lender, necessary costs and expenses incurred by it in the exercise of its rights under this paragraph 10 (including, without limitation, reasonable and, in the commercially reasonable business judgment of the Lender, necessary, fees and expenses of attorneys for the Lender). In the event the Lender shall commence any such enforcement action, the Lender shall use its reasonable efforts to provide the Grantor with ten (10) days prior written notice thereof, and shall provide the Grantor with an opportunity to participate in any such action, at the Grantor's expense.

11. Waivers. The Lender's failure, at any time or times hereafter, to require strict performance by the Grantor of any provisions of this Agreement shall not waive, affect or diminish any right of the Lender thereafter to demand strict compliance and performance therewith nor shall any course of dealing between the Grantor and the Lender have such effect. No single or partial exercise of any right hereunder shall preclude any other or further exercise thereof or the exercise of any other right. None of the undertakings, agreements, warranties, covenants and representations of the Grantor contained in this Agreement shall be deemed to have been suspended or waived by the Lender unless such suspension or waiver is in writing signed by an officer of the Lender and directed to the Grantor specifying such suspension or waiver.

12. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but the provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

13. Modification. This Agreement cannot be altered, amended or modified in any way, except as specifically provided in paragraphs 3 and 5 hereof or by a writing signed by the parties hereto.

14. Power of Attorney; Cumulative Remedies. (a) The Grantor hereby irrevocably designates, constitutes and appoints the Lender (and all Persons designated by the Lender in its sole and absolute discretion) as the Grantor's true and lawful attorney-in-fact, and to the extent permitted by applicable law authorizes the Lender and any of the Lender's designees, in the Grantor's or the Lender's name, to take any action and execute any instrument which the Lender may deem necessary or advisable to accomplish the purposes of this Agreement, if the Grantor fails to take such action or execute such instrument within a reasonable time after the Lender's written request therefor, from and after the occurrence and during the continuation of an Event of Default and the giving by the Lender of notice to the Grantor of the Lender's intention to enforce its rights and claims against the Grantor, including, without limitation, to the extent permitted by applicable law, authorization to (i) endorse the Grantor's name on all applications, documents, papers and instruments necessary or, in the commercially reasonable business judgment of the Lender, desirable, for the Lender in the use of the Patents or the Patent Licenses, (ii) assign, pledge, convey or otherwise transfer title in or dispose of the Patents or the Patent Licenses to anyone in a commercially reasonable manner and on commercially reasonable terms, (iii) grant or issue any exclusive or nonexclusive license under the Patents or, to the extent permitted, under the Patent Licenses, to anyone in a commercially reasonable manner and on commercially reasonable terms, and (iv) take any other actions with respect to the Patents or the Patent Licenses as the Lender, in its commercially reasonable business judgment, deems necessary. The Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable until all of the Obligations shall have been paid in full and the Loan Agreement shall have been terminated. The Grantor acknowledges and agrees that this Agreement is not intended to limit or restrict in any way the rights and remedies of the Lender under the Loan Agreement, but rather is intended to facilitate the exercise of such rights and remedies.

(b) The Lender shall have, in addition to all other rights and remedies given it by the terms of this Agreement, all rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Patents or the Patent Licenses may be located or deemed located. Upon the occurrence and during the continuation of an Event of Default and the election by the Lender to exercise any of its remedies under Section 9-504 of the Uniform Commercial Code with respect to the Patents and Patent Licenses, the Grantor agrees to assign, convey and otherwise transfer title in and to the Patents and the Patent Licenses to the Lender or any transferee of the Lender and to execute and deliver to the Lender or any such transferee all such agreements, documents and instruments as may be necessary, in the exercise of the Lender's commercially reasonable judgment, to effect such assignment, conveyance and transfer. All of the Lender's rights and remedies with respect to the Patents and the Patent Licenses, whether established hereby, by the Loan Agreement, by any other agreements or by law, shall be cumulative and may be exercised separately or concurrently. It is hereby expressly agreed that upon the occurrence and during the continuation of an Event of Default, the Lender may exercise any of the rights and remedies provided in this Agreement and any other

of the other Loan Documents, in accordance with the terms hereof and thereof and to the extent permitted by applicable law.

15. Successors and Assigns. This Agreement shall be binding upon the Grantor and its successors and assigns, and shall inure to the benefit of the Lender and its permitted successors and assigns. The Grantor's successors and assigns shall include, without limitation, a receiver, trustee or debtor-in-possession of or for the Grantor; provided, however, that the Grantor shall not voluntarily assign or transfer its rights or obligations hereunder without the Lender's prior written consent.

16. Governing Law. THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS AND DECISIONS OF THE COMMONWEALTH OF VIRGINIA WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING CONFLICTS OF LAW, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

17. Notices. All notices or other communications hereunder shall be given in the manner and delivered to the addresses set forth in the Loan Agreement.

18. Paragraph Titles. The paragraph titles herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof.

19. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

20. Recordation of Agreement. The Lender intends to record this Agreement with the United States Patent and Trademark Office.

IN WITNESS WHEREOF, the Grantor has duly executed this Agreement as of the day and year first above written.

THE STAVER COMPANY, INCORPORATED

By: 

Name: Arnold Lazarus

Title: President

By its acceptance hereof as of the day and year first above written, the Lender agrees to be bound by the provisions hereof.

FOOTHILL CAPITAL CORPORATION,

By: *C. Sue Bradley*
Name: *C. Sue Bradley*
Title: *Vice President*

Schedule B
to
Patent Security Agreement

None

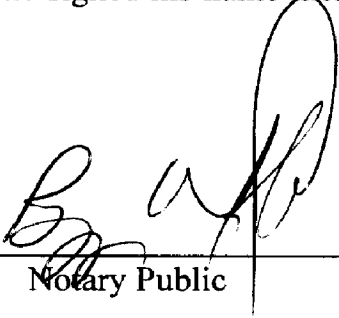
Schedule C
to
Patent Security Agreement

None

STATE OF NEW YORK)
) ss.:
COUNTY OF SUFFOLK)

On the 27th day of October, 1998, before me personally came Arnold Lazarus to me known, who being by me duly sworn, did depose and say that he is the President of the Staver Company, Incorporated, the corporation described in and which executed the foregoing instrument in favor of Foothill Capital Corporation; and that he signed his name thereto by authority of the board of directors of said corporation.

BRYAN FRANKEL
NOTARY PUBLIC, State of New York
No. 4980777, Suffolk County
Term Expires April 29, 1999



Notary Public