

10-13-1999



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**RECORDATION FORM COVER SHEET
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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 ☒ Security Agreement
☐ License ☐ Change of Name
☐ Merger ☐ Other
U.S. Government
(For Use ONLY by U.S. Government Agencies)
☐ Departmental File ☐ Secret File

Conveying Party(ies)

☐ Mark if additional names of conveying parties attached
Execution Date
Month Day Year
10 04 1999

Name (line 1)

Name (line 2)

Second Party

Execution Date
Month Day Year

Name (line 1)

Name (line 2)

Receiving Party

☐ Mark if additional names of receiving parties attached

Name (line 1)

Name (line 2)

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

☐ 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 is attached. (Designation must be a separate document from Assignment.)

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)

10/12/1999 MTHA11 00000122 09293565

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320.00 OP

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

PATENT
REEL: 010288 FRAME: 0932

Correspondent Name and Address

Area Code and Telephone Number (312) 876-7628

Name Linda R. Kastner

Address (line 1) c/o-Latham & Watkins

Address (line 2) 233 South Wacker Drive

Address (line 3) Suite 5800

Address (line 4) Chicago, IL 60606

Pages

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

15

Application Number(s) or Patent Number(s)

☐ Mark if additional numbers attached

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

Patent Application Number(s)

29090141

09293565

08944539

Patent Number(s)

5313300

5489097

D361358

D376632

D357045

If this document is being filed together with a new Patent Application, enter the date the patent application was signed by the first named executing inventor.

Month Day Year

Patent Cooperation Treaty (PCT)

Enter PCT application number
only if a U.S. Application Number
has not been assigned.

PCT

PCT

PCT

PCT

PCT

PCT

Number of Properties

Enter the total number of properties involved.

8

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41): \$ 320.00

Method of Payment:
Deposit Account

Enclosed ☒

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.

Linda R. Kastner

Name of Person Signing

Signature

Date

10/7/99

PATENT

REEL: 010288 FRAME: 0933

PATENT SECURITY AGREEMENT

THIS PATENT SECURITY AGREEMENT (the "Agreement") is made and entered into as of October 4, 1999, by GDH International, Inc., a Texas corporation, having an office at 611 Magic Mile, Suite 205, Arlington, Texas 76011 ("Borrower"), in favor of FOOTHILL CAPITAL CORPORATION, a California corporation, having an office at 11111 Santa Monica Boulevard, Suite 1500, Los Angeles, California 90025-3333, as agent ("Agent") for the Lenders described below.

WITNESSETH:

WHEREAS, Borrower, the other "Borrowers" named therein, the "Lenders" named therein and the Agent have entered into that certain Loan and Security Agreement dated as of October 4, 1999 (as amended or otherwise modified from time to time, the "Loan Agreement"), providing for the extension of credit by the Lenders to Borrower. When capitalized and used herein, terms defined in the Loan Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement; and

WHEREAS, the Lenders have required, as a condition to the extension of credit under the Loan Agreement, that Borrower grant to the Agent, for the benefit of the Lenders, a security interest in and to the Collateral (as defined herein).

AGREEMENT

NOW THEREFORE, in consideration of the premises and in order to induce the Lenders to extend credit under the Loan Agreement, Borrower hereby agrees with the Agent for its benefit and the ratable benefit of the Lenders as follows:

1. Creation of Security Interest. Borrower hereby grants to the Agent a security interest in all of Borrower's right, title and interest in and to the collateral described in Section 2 herein (the "Collateral") in order to secure the payment and performance of all Obligations.

2. Collateral. The Collateral is:

(a) all of Borrower's patents, patent registrations and patent applications, which, in each case, are now or hereafter filed with the U.S. Patent and Trademark Office, any similar office or agency of any state, territory or possession of the United States or any similar office or agency of any other countries or used in the United States, any state, territory or possession thereof or any other country, including, without limitation, the patents, patent registrations and patent applications listed on Schedule A attached hereto and made a part hereof, and (i) renewals thereof, (ii) all income, royalties, damages and payments now and hereafter due or payable with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof, (iii) the right to sue for past, present and future infringements thereof, and (iv) all rights

corresponding thereto throughout the world (all of the foregoing patents, patent registrations and patent applications, together with the items described in clauses (i)-(iv) in this subparagraph (a), are sometimes hereinafter referred to, either individually or collectively, as the "Patents"); and

(b) the goodwill of Borrower's business connected with and symbolized by the Patents.

3. Restrictions on Future Agreements. Until the Obligations shall have been satisfied in full and the Loan Agreement shall have been terminated, Borrower will not without the Agent's prior written consent, (a) enter into any agreement, including, without limitation, any license agreement that is inconsistent with Borrower's obligations under this Agreement, any other Loan Document to which Borrower is a party, or the Loan Agreement, (b) take any action, or permit any action to be taken by others subject to its control, including licensees, or fail to take any action (including, without limitation, the abandonment of any Patent), that would affect the validity or enforceability of the rights transferred to the Agent under this Agreement, or (c) enter into any agreement, including, without limitation, any license agreement that may restrict or inhibit the Agent's rights to sell or otherwise dispose of the Collateral or any part thereof after the occurrence of an Event of Default.

4. New Patents. Borrower represents and warrants that the Patents listed on Schedule A constitute all of the registered patents and applications which are as of the Closing Date owned by or are pending on behalf of Borrower in the United States or any state of the United States (as set forth on Schedule A) and that Borrower is not aware of any such patents which are not registered in the United States or any state thereof. If, before the Obligations shall have been satisfied in full, Borrower shall (a) (i) obtain any registration or apply for any registration after the date hereof in the United States Patent and Trademark Office or in any similar office or agency of a state, territory or possession of the United States or (ii) obtain rights to any patents used in the United States or any state, territory or possession thereof, or (b) (i) become entitled to the benefit of any patent application, patent, tradename or patent registration in the United States or any state, territory or possession thereof or (ii) become entitled to the benefit of any patent used in the United States or any state, territory or possession thereof, the provisions of Section 1 shall automatically apply thereto and Borrower shall give to the Agent prompt written notice thereof. Borrower hereby authorizes the Agent to modify this Agreement by amending Schedule A to include any future patents, patent registrations and patent applications and that are Patents, as applicable, under Section 2 or under this Section 4.

5. Additional Representations and Warranties. Borrower hereby represents, warrants, covenants and agrees that:

(a) Except as otherwise provided herein or in the Loan Agreement, it is and will continue to be the owner of all its right, title and interest in the Collateral so long as the Patents shall continue in force, free from any Lien in favor of any Person.

(b) It has the full right and power to grant the security interest in the Collateral made hereby.

(c) It has made no previous assignment, transfer or agreements in conflict herewith or constituting a present or future assignment, transfer, or encumbrance on any of the Collateral except, but without in any way limiting the provisions of subsection 5(b) above, for license agreements to use such Collateral granted to licensees and consents and other agreements which limit the right of Borrower or its licensees to use the Patents or sue for infringement.

(d) So long as any Obligations remain outstanding under the Loan Agreement or the Loan Agreement has not terminated, it will not execute, and there will not be on file in any public office, any financing statement or other document or instruments evidencing or giving notice of liens affecting the Collateral.

(e) No material infringement or unauthorized use presently is being made of any of the Patents which would adversely affect the fair market value of the Collateral or the benefits of this Agreement granted to the Agent, including, without limitation, the validity, priority or perfection of the security interest granted herein or the remedies of the Agent hereunder and Borrower will continue to maintain monitoring and enforcement practices which fully and adequately protect the Collateral. Borrower has advised the Agent of its patent monitoring and enforcement practices, and will not materially modify such practices without the prior written consent of the Agent.

6. Royalties; Terms. Borrower hereby agrees that the permitted use by the Agent of all Patents shall be worldwide without any liability for royalties or other related charges from the Agent to Borrower. The term of the security interest granted herein shall extend until the earlier of (a) the expiration of each of the respective Patents, or (b) the Obligations have been paid in full and the Loan Agreement has been terminated.

7. Agent's Right to Inspect. Borrower agrees that from and after the occurrence of an Event of Default and the provision by the Agent of written notice to Borrower of the Agent's intention to enforce its rights and claims against any of the Collateral, the Agent shall have the right to establish such additional product quality controls as the Agent, in its sole judgment, may deem necessary to assure maintenance of the quality of products sold by Borrower under the Patents. Borrower agrees (a) not to sell or assign its interest in, or grant any license under the Patents without the prior written consent of the Agent; (b) to maintain the quality of any and all products in connection with which the Patents are used, consistent with the quality of such products as of the date hereof; (c) not reduce the quality of such products without the Agent's express written consent; and (d) to provide the Agent, upon request, with a certificate of an officer of Borrower certifying Borrower's compliance with the foregoing.

8. Termination of Agent's Security Interest. This Agreement is made for collateral purposes only. Upon payment in full of all Obligations and termination of the Loan Agreement, the Agent shall, at Borrower's sole cost and expense, execute and deliver to Borrower all termination statements and other instruments as may be necessary or proper to terminate the Agent's security interest in the Collateral, subject to any disposition thereof which

may have been made by the Agent pursuant to Section 15 or any other provision hereof or pursuant to the Loan Agreement.

9. Duties of Borrower. Borrower shall (a) prosecute diligently any patent application that is part of the Patents pending as of the date hereof or thereafter until the Obligations shall have been paid in full and the Loan Agreement shall have been terminated, (b) make application on patents, as appropriate, (c) preserve and maintain all rights in patent applications, patents, and patent registrations that are part of the Patents, (d) not abandon any right to file a patent application nor any pending patent application if the value thereof could reasonably be expected to justify the cost of obtaining such patent, and (e) not abandon any given Patent without the consent of the Agent. Any expenses incurred in connection with the applications referred to in this Section 9 shall be borne by Borrower. Borrower agrees to retain an experienced patent attorney for the filing and prosecution of all such applications and other proceedings and to cause such attorney to keep the Agent and its counsel advised on a current basis of any such applications or proceedings.

If Borrower fails to comply with any of the foregoing duties, the Agent may so comply in Borrower's name to the extent permitted by law, but at Borrower's expense, and Borrower hereby agrees to reimburse the Agent in full for all expenses, including the fees and disbursements of attorneys and paralegals (including charges for inside counsel) incurred by the Agent in protecting, defending and maintaining the Collateral.

In the event that Borrower shall fail to pay when due any fees required to be paid by it hereunder, or shall fail to discharge any Lien, prohibited hereby, or shall fail to comply with any other duty hereunder, the Agent may, but shall not be required to pay, satisfy, discharge or bond the same for the account of Borrower, and all moneys so paid out shall be Obligations of Borrower repayable on demand, together with interest at a per annum rate of two percent (2%) above the Reference Rate.

Borrower shall take all action necessary to preserve and maintain the validity, perfection and first priority of the Agent's security interest granted herein in the Collateral.

10. Agent's Right to Sue. From and after the occurrence of an Event of Default and the provision by the Agent of written notice to Borrower of the Agent's intention to enforce its right and claims against any of the Collateral, the Agent shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce the Collateral, and any licenses thereunder, and, if the Agent shall commence any such suit, Borrower shall, at the request of the Agent, do any and all lawful acts and execute any and all proper documents required by the Agent in aid of such enforcement and Borrower shall indemnify and shall, upon demand, promptly reimburse the Agent for all costs and expenses incurred by the Agent in the exercise of its rights under this Section 10.

11. Waivers. No course of dealing between Borrower and the Agent, nor any failure to exercise, nor any delay in exercising, on the part of the Agent, any right, power or privilege hereunder or under the Loan Agreement shall operate as a waiver thereof; nor shall any

single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

12. Severability. 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. If any provision hereof shall render an otherwise valid Patent invalid or ineffective, then such provision shall be void ab initio to the extent that the validity or effectiveness of the Patent is thereby preserved and Borrower shall make suitable other valid arrangements to provide the Agent with equivalent protections to that intended hereby.

13. Amendments. This Agreement or any provision thereof may be changed, waived, or terminated only in the manner set forth in Section 4 hereof or Section 16.1 of the Loan Agreement.

14. Remedies. If any Event of Default shall have occurred and be continuing, then the Agent shall be entitled to exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all of the rights and remedies of a secured party under the Uniform Commercial Code (the "Code") (whether or not the Code applies to the affected Collateral) and also may (a) require Borrower, and Borrower hereby agrees that it will upon the request of the Agent, forthwith, (i) execute and deliver an assignment, substantially in the form of Exhibit A hereto, of all right, title and interest in and to the Collateral, and (ii) take such other action as the Agent may request to effectuate the outright assignment of such Collateral or to exercise, register or further perfect and protect its rights and remedies with respect to such assigned Collateral, and (b) without notice except as specified below, sell the Patents and the goodwill of the businesses related thereto or any part thereof in one or more parcels at public or private sale, at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such terms as the Agent may deem commercially reasonable. Borrower agrees that at least ten (10) days' notice to Borrower of the time and place of any public sale or the time which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of the Collateral regardless of notice of sale having been given. The 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 so adjourned.

15. Cumulative Remedies; Power of Attorney; Effect on Loan Agreement. All of the Agent's rights and remedies with respect to the Collateral, whether established hereby, by the Loan Agreement, by any other agreements, or by law shall be cumulative and may be exercised singularly or concurrently. Borrower hereby authorizes the Agent to make, constitute and appoint any officer or agent of the Agent as the Agent may select, in its sole discretion, as Borrower's true and lawful attorney-in-fact which power of attorney shall be irrevocable and shall be deemed to be coupled with an interest, with power, from and after the occurrence of an Event of Default (a) to (i) endorse Borrower's name on all applications, documents, papers and

instruments necessary or desirable for the Agent in the use of the Collateral including, without limitation, if Borrower fails to execute and deliver within three (3) Business Days the assignment substantially in the form of Exhibit A hereto, or (ii) take any other actions with respect to the Collateral as the Agent deems in the best interest of the Agent, and (b) after the provision by the Agent of written notice to Borrower of the Agent's intention to enforce its rights and claims against any of the Collateral, to (i) grant or issue any exclusive or non-exclusive license under the Collateral to anyone, or (ii) assign, pledge, convey or otherwise transfer title in or dispose of the Collateral to anyone. Borrower hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney, being coupled with an interest, shall be irrevocable until all Obligations shall have been paid in full and the Loan Agreement has been terminated. Borrower acknowledges and agrees that this Agreement is not intended to limit or restrict in any way the rights and remedies of the Agent under the Loan Agreement but rather is intended to facilitate the exercise of such rights and remedies. The Agent 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 Code as enacted in any jurisdiction in which the Collateral may be located. Recourse to security will not be required at any time.

16. Notice. Any notice, approval, consent or other communication to any party hereunder shall be in the form and manner, and to the addresses as set forth in the Loan Agreement.

17. Continuing Security Interest; Transfer of Notes. This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until payment in full (after the Loan Agreement has been terminated) of the Obligations, (b) be binding upon Borrower, its successors and assigns, and (c) inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent, the Lenders and their respective successors, transferees and assigns as permitted under the Loan Agreement. Without limiting the generality of the foregoing clause (c), any Lender may, except as limited by the express terms of the Loan Agreement, assign or otherwise transfer any of its interests in the Loan Agreement held by it to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise.

18. Authority of Agent. The Agent shall have and be entitled to exercise all powers hereunder which are specifically delegated to the Agent by the terms hereof, together with such powers as are reasonably incident thereto. The Agent may perform any of its duties hereunder or in connection with the Collateral by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of counsel concerning all such matters. Neither the Agent nor any director, officer, employee, attorney or agent of the Agent shall be liable to Borrower for any action taken or omitted to be taken by it or them hereunder, except for its or their own gross negligence or willful misconduct; nor shall the Agent be responsible for the validity, effectiveness or sufficiency hereof or of any document or security furnished pursuant hereto. The Agent and its directors, officers, employees, attorneys and agents shall be entitled to rely on any communication, instrument or document believed by it or them to be genuine and correct and to have been signed or sent by the proper person or persons.

Borrower agrees to indemnify and hold harmless the Agent and any other person from and against any and all costs, expenses (including fees and expenses of attorneys and paralegals (including charges of inside counsel)), claims or liability incurred by the Agent or such person hereunder, unless such claim or liability shall be due to willful misconduct or gross negligence on the part of the Agent or such person.

19. Interpretation of Agreement. Time is of the essence of each provision of this Agreement of which time is an element. All terms not defined herein shall have the meaning set forth in the Code, except where the context otherwise requires. To the extent any term or provision of this Agreement conflicts with the Loan Agreement and is not dealt with more specifically herein, the Loan Agreement shall control with respect to such term or provision.

20. Reinstatement. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any amount received by the Agent or any Lender in respect of the Obligations is rescinded or must otherwise be restored or returned by the Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of Borrower or upon the appointment of any intervenor or conservator of, or trustee or similar official for, the Borrower or any substantial part of its assets, or otherwise, all as though such payments had not been made.

21. Final Expression. This Agreement, together with any other agreement executed in connection herewith, is intended by the parties as a final expression of their agreement and is intended as a complete and exclusive statement of the terms and conditions thereof. Acceptance of or acquiescence in a course of performance rendered under this Agreement shall not be relevant to determine the meaning of this Agreement even though the accepting or acquiescing party had knowledge of the nature of the performance and opportunity for objection.

22. Survival of Provisions. All representations, warranties and covenants of Borrower contained herein shall survive the execution and delivery of this Agreement, and shall terminate only upon the full and final payment and performance by Borrower of its indebtedness and obligations secured hereby.

23. Release; Termination of Agreement.

(a) Upon Agent's written consent, Borrower may sell or dispose of any Collateral. If consented to by Agent, the Agent shall execute and deliver to Borrower a release or releases (including, without limitation, Uniform Commercial Code termination statements and instruments of satisfaction, discharge, or reconveyance) in form reasonably satisfactory to the Agent to release the lien of this Agreement with respect to such released Collateral. Such releases shall be without warranty by or recourse to the Agent, except as to the absence of any prior assignments by the Agent of its interest in the Collateral, and shall be at the expense of Borrower.

(b) This Agreement shall terminate upon full and final payment and performance of all the Obligations. At such time, the Agent shall, at the request of Borrower,

reassign and redeliver to Borrower all of the Collateral hereunder which has not been sold, disposed of, retained or applied by the Agent in accordance with the terms hereof. Such reassignment and redelivery shall be without warranty by or recourse to the Agent, except as to the absence of any prior assignments by the Agent of its interest in the Collateral, and shall be at the expense of Borrower.

24. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall together constitute one and the same agreement.

25. Statute of Limitations. Borrower hereby waives the right to plead any statute of limitations as a defense to any indebtedness or obligations hereunder or secured hereby to the full extent permitted by law.

26. GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL; WAIVER OF DAMAGES.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED UNDER THE LAWS OF THE STATE OF ILLINOIS, AND ANY DISPUTE ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN BORROWER, THE AGENT AND THE LENDERS IN CONNECTION WITH THIS AGREEMENT, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY OR OTHERWISE, SHALL BE RESOLVED IN ACCORDANCE WITH THE INTERNAL LAWS (AS OPPOSED TO THE CONFLICTS OF LAWS PROVISIONS) AND DECISIONS OF THE STATE OF ILLINOIS.

(b) EXCEPT AS PROVIDED IN THE NEXT PARAGRAPH, BORROWER AND THE AGENT AGREE THAT ALL DISPUTES BETWEEN THEM ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED ONLY BY STATE OR FEDERAL COURTS LOCATED IN THE COUNTY OF COOK, STATE OF ILLINOIS, BUT BORROWER AND THE AGENT ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF THE COUNTY OF COOK, STATE OF ILLINOIS. BORROWER WAIVES IN ALL DISPUTES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT CONSIDERING THE DISPUTE INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS.

(c) BORROWER AGREES THAT THE AGENT AND ANY LENDER SHALL HAVE THE RIGHT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TO PROCEED AGAINST BORROWER OR ITS PROPERTY IN A COURT IN ANY LOCATION REASONABLY SELECTED IN GOOD FAITH TO ENABLE THE AGENT OR ANY LENDER TO REALIZE ON SUCH PROPERTY, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF THE AGENT OR ANY LENDER.

BORROWER AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY THE AGENT OR ANY LENDER TO REALIZE ON SUCH PROPERTY, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE AGENT OR ANY LENDER. BORROWER WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH THE AGENT OR ANY LENDER HAS COMMENCED A PROCEEDING DESCRIBED IN THIS PARAGRAPH INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS.

(d) BORROWER AND THE AGENT EACH WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AGREEMENT. INSTEAD, ANY DISPUTES RESOLVED IN COURT WILL BE RESOLVED IN A BENCH TRIAL WITHOUT A JURY.

(e) BORROWER (I) AGREES THAT NEITHER THE AGENT NOR ANY LENDER SHALL HAVE ANY LIABILITY TO BORROWER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) FOR LOSSES SUFFERED BY BORROWER IN CONNECTION WITH, ARISING OUT OF, OR IN ANY WAY RELATED TO, THE TRANSACTIONS CONTEMPLATED AND THE RELATIONSHIP ESTABLISHED BY THIS AGREEMENT, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION THEREWITH, UNLESS IT IS DETERMINED BY A JUDGMENT OF A COURT THAT IS BINDING ON THE AGENT OR SUCH LENDER, AS THE CASE MAY BE (WHICH JUDGMENT SHALL BE FINAL AND NOT SUBJECT TO REVIEW ON APPEAL), THAT SUCH LOSSES WERE THE RESULT OF ACTS OR OMISSIONS ON THE PART OF THE AGENT OR SUCH LENDER, AS THE CASE MAY BE, CONSTITUTING GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR KNOWING VIOLATIONS OF LAW AND (II) WAIVES, RELEASES AND AGREES NOT TO SUE UPON ANY CLAIM AGAINST THE AGENT OR ANY LENDER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE), EXCEPT A CLAIM BASED UPON GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR KNOWING VIOLATIONS OF LAW. WHETHER OR NOT SUCH DAMAGES ARE RELATED TO A CLAIM THAT IS SUBJECT TO THE WAIVER EFFECTED ABOVE AND WHETHER OR NOT SUCH WAIVER IS EFFECTIVE, NEITHER THE AGENT NOR ANY LENDER SHALL HAVE ANY LIABILITY WITH RESPECT TO, AND BORROWER HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE UPON ANY CLAIM FOR, ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES SUFFERED BY BORROWER IN CONNECTION WITH, ARISING OUT OF, OR IN ANY WAY RELATED TO THE TRANSACTIONS CONTEMPLATED OR THE RELATIONSHIP ESTABLISHED BY THIS AGREEMENT, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION THEREWITH, UNLESS IT IS DETERMINED BY A JUDGMENT OF A COURT THAT IS BINDING ON THE AGENT OR SUCH LENDER, AS THE CASE MAY BE (WHICH JUDGMENT SHALL BE FINAL AND NOT SUBJECT TO REVIEW ON APPEAL), THAT SUCH DAMAGES WERE THE RESULT OF ACTS OR

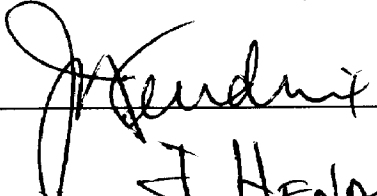
OMISSIONS ON THE PART OF THE AGENT OR SUCH LENDER, AS THE CASE MAY BE, CONSTITUTING WILLFUL MISCONDUCT OR KNOWING VIOLATIONS OF LAW.

(f) BORROWER WAIVES ALL RIGHTS OF NOTICE AND HEARING OF ANY KIND PRIOR TO THE EXERCISE BY THE AGENT OR ANY LENDER OF ITS RIGHTS FROM AND AFTER THE OCCURRENCE OF AN EVENT OF DEFAULT TO REPOSSESS THE COLLATERAL WITH JUDICIAL PROCESS OR TO REPLEVY, ATTACH OR LEVY UPON THE COLLATERAL OR OTHER SECURITY FOR THE OBLIGATIONS. BORROWER WAIVES THE POSTING OF ANY BOND OTHERWISE REQUIRED OF THE AGENT OR ANY LENDER IN CONNECTION WITH ANY JUDICIAL PROCESS OR PROCEEDING TO OBTAIN POSSESSION OF, REPLEVY, ATTACH OR LEVY UPON COLLATERAL OR OTHER SECURITY FOR THE OBLIGATIONS, TO ENFORCE ANY JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF THE AGENT OR ANY LENDER, OR TO ENFORCE BY SPECIFIC PERFORMANCE, TEMPORARY RESTRAINING ORDER, PRELIMINARY OR PERMANENT INJUNCTION THIS SECURITY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT BETWEEN BORROWER, AGENT AND THE LENDERS.

[Signature Page Follows]


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

GDH INTERNATIONAL, INC.

By: 
Name: J. HENARIX
Title: VP

By acceptance hereof as of this 4 day of October, 1999, the Agent agrees to be bound by the provisions hereof.

FOOTHILL CAPITAL CORPORATION,
as Agent

By: 
Name: Bruce Rivers
Title: VP

SCHEDULE A
To
PATENT SECURITY AGREEMENT

Dated as of October 5, 1999

Patents Owned by GDH International, Inc.

<u>PATENT</u>	<u>DATE OF APPLICATION</u>	<u>PATENT NUMBER</u>
Golf Club Having Hollow Shaft With Fluid Selectively Installed Therein	May 31, 1994	5,313,300
Golf Club Head With Weights	February 6, 1996	5,489,097
Golf Club Head	April 4, 1995	D357,045
Golf Club Head	April 11, 1994	D361,358
Golf Club Head (Mid Wedge)	December 17, 1996	D376,632
Golf Club Head	June 29, 1998	SN#29/090,141
Golf Club Display Device	April 15, 1999	SN#09/293,565
Golf Club Head	October 7, 1997	SN#08/944,539

EXHIBIT A
FORM OF ASSIGNMENT
ASSIGNMENT OF PATENTS

THIS ASSIGNMENT OF PATENTS ("Assignment") is made as of _____, 1999, by and between _____, a _____ corporation, having an office at _____ ("Assignor"), in favor of FOOTHILL CAPITAL CORPORATION, a California corporation, having an office at 11111 Santa Monica Boulevard, Suite 1500, Los Angeles, California 90025-3333 ("Assignee"), as Agent for the "Lenders" which are or may hereafter become parties to that certain Loan Agreement dated October ___, 1999 (as amended or otherwise modified from time to time, the "Loan Agreement"), among Assignor and the parties thereto.

Recitals

WHEREAS, Assignor and Assignee are parties to that certain Patent Security Agreement dated as of October ___, 1999, made by Assignor to Assignee (the "Agreement") providing that under certain conditions specified therein Assignor shall execute this Assignment; and

WHEREAS, the aforementioned conditions have been fulfilled.

NOW THEREFORE, Assignor hereby agrees as follows:

1. Assignment of Patents. Assignor hereby grants, assigns and conveys to Assignee its entire right, title and interest in and to (a) the patents, patent registrations and patent applications listed on Schedule I attached hereto and made a part hereof, and (i) all renewals thereof, (ii) all income, royalties, damages, payments and other proceeds now and hereafter due or payable with respect thereto, including, without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof, (iii) the right to sue for past, present and future infringements thereof, and (iv) all rights corresponding thereto throughout the world (all of the foregoing are sometimes hereinafter referred to, either individually or collectively, as the "Patents"), and (b) the goodwill of Assignor's business connected with and symbolized by the Patents. The Patents and such goodwill are collectively referred to herein as the "Collateral".

2. Representations and Warranties. Assignor represents and warrants that it has the full right and power to make the assignment of the Collateral made hereby and that it has made no previous assignment, transfer, agreement in conflict herewith or constituting a present or future assignment or encumbrance of any or all of the Collateral, except as set forth in the Agreement.

3. Modification. This Assignment cannot be altered, amended or modified in any way, except by a writing signed by the parties hereto.

4. Binding Effect; Governing Law. This Assignment shall be binding upon Assignor and its successors and shall inure to the benefit of Assignee and its successors and assigns. This Assignment shall, except to the extent that federal law or laws of another state apply to the Collateral or any part thereof, be governed by and construed in accordance with the laws of the State of Illinois.

IN WITNESS WHEREOF, Assignor has caused this Assignment to be executed and delivered as of the date first above written.

_____,
a _____ corporation

By: _____

Name: _____

Title: _____

SCHEDULE I

Patents

Patent Number

Filing Date

[To be completed at time of outright assignment, to reflect all then existing Patents.]