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PATENTS



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

1. Name of conveying party(ies):
See Attached

2. Name and address of receiving party(ies)
Name: See Attached

Internal Address: _____

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

3. Nature of conveyance:

- ☐ Assignment ☐ Merger
☐ Security Agreement ☐ Change of Name
☒ Other Fourth Amendment

Street Address: _____

City: _____ State: _____ Zip: _____

Execution Date: 10/31/02

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

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) See Attached

B. Patent No.(s) See Attached

Additional numbers attached? ☒ Yes ☐ No

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

Name: Corporation Service Company

Internal Address: Attn: Amy Lee Brady

Street Address: 80 State Street, 6th Floor

City: Albany State: NY Zip: 12207

6. Total number of applications and patents involved: 14

7. Total fee (37 CFR 3.41).....\$ 560.00

☒ Enclosed

☐ Authorized to be charged to deposit account

8. Deposit account number: _____

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9. Signature.

Amy Lee Brady
Name of Person Signing

Amy L Brady
Signature

6/3/2003
Date

Total number of pages including cover sheet, attachments, and documents: 14

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patents & Trademarks, Box Assignments
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06/23/2003 6TOW11 00000129 4333364

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560.00 DP

PATENT
REEL: 014186 FRAME: 0438

1. Name of Conveying Party:

Varel International, Ltd. (formerly known as
Varel International, Inc., formerly known as
Varel Manufacturing Company), a Texas limited partnership

2. Name of Receiving Party:

**The Governor and Company of the
Bank of Scotland**
P. O. Box 12, Uberior House
61 Grassmarket
Edinburgh EH1 2JF Scotland
Attention: Structured Finance – Syndications

3. Domestic Representative

Andrews & Kurth L.L.P.
600 Travis, Suite 4200
Houston, Texas 77002
Attn: Sharon G. Ward

SCHEDULE I

PATENTS GRANTED

<u>Title</u>	<u>Patent #</u>	<u>Grant Date</u>	<u>Status</u>
METHOD FOR MANUFACTURING A ROTARY DRILL BIT HAVING A SOLID FORGED, UNITARY BODY	4,333,364	06/08/1983	Expiration Date: 06/08/1999
CABLE TOOL WITH CIRCULATING DRILL STEM	4,296,823	10/27/1981	Expiration Date: 10/11/1999
BEARING SEAL FOR ROTATING CUTTER DRILL BIT	4,452,539	06/05/1984	Expiration Date: 10/26/2001
ASYMMETRICAL ROTARY CONE BIT	4,763,736	08/16/1988	Expiration Date: 07/08/2007
ROCK BIT WITH IMPROVED THRUST FACE	5,944,125	08/31/1999	Expiration Date: 06/19/2019
BI-CENTER BIT ASSEMBLY	6,298,929	10/09/2001	Expiration Date: 12/07/2019

FOREIGN PATENTS GRANTED

<u>Title</u>	<u>Patent #</u>	<u>Grant Date</u>	<u>Status</u>
IMPROVED ROTARY CONE BIT FOR CUTTING REMOVAL - SOUTH AFRICA	20005048	04/24/2002	Annuity Fee Due 09/20/2003

PATENTS APPLICATIONS

<u>Title</u>	<u>Application #</u>	<u>Application Date</u>	<u>Status</u>
RIDGEBACK ROCKBIT	09/669,998	September 25, 2000	Allowed
MILL/DRILL BIT	09/798,171	March 2, 2001	Pending
SUPERABRASIVE CUTTER SUBSTRATE	09/777,295	February 5, 2001	Pending
BREAKABLE WASHER EARTH BORING BIT	60/346,227	November 16, 2001	Will convert to utility patent by 11/16/2002
DRILL BIT MANUFACTURING USING RAPID PROTOTYPING	60/346,493	November 16, 2001	Same as above
CONICAL SHAPED CUTTER AND MATING POCKET FOR CAST STEEL BODY BIT	10/180,838	June 25, 2002	Pending
LOW CONTACT AREA CUTTER	N/A	N/A	Not filed
SPIRAL WAVE BLADES	N/A	September 4, 2002	Pending
ROTARY CONE BIT WITH IMPROVED THRUST BEARING	09/972,216	October 15, 2001	Pending
BEARING SEAL	60/346,056	November 16, 2001	Will convert to utility patent by 11/16/2002

**FOURTH AMENDMENT TO
COLLATERAL ASSIGNMENT AND SECURITY AGREEMENT (PATENTS)**

THIS FOURTH AMENDMENT TO COLLATERAL ASSIGNMENT AND SECURITY AGREEMENT (PATENTS) (this "Amendment"), dated as of October 31, 2002, is between Varel International, Ltd., (formerly known as Varel Acquisition, Ltd. and successor by merger to Varel International, Inc., a Delaware corporation, formerly known as Varel Manufacturing Company), a Texas limited partnership (the "Borrower"), and The Governor and Company of the Bank of Scotland, incorporated by an act of parliament in Scotland, as Administrative Agent for the Lenders (defined below) (in such capacity, the "Administrative Agent").

PRELIMINARY STATEMENTS

A. The Borrower and General Electric Capital Corporation, a New York corporation (the "Original Lender"), are parties to a Loan and Security Agreement dated as of January 16, 1997 (said Loan and Security Agreement, as amended through June 30, 1998, the "Original Loan Agreement").

B. In connection with the Original Loan Agreement, the Borrower executed the Collateral Assignment and Security Agreement (Patents) dated as of January 16, 1997 (the "Original Collateral Assignment (Patents)"), in favor of the Original Lender as security for all of the Obligations (as defined in the Original Loan Agreement).

C. Pursuant to a Sale and Assignment of Notes and Liens dated as of June 30, 1998, the Original Lender assigned all of its rights and obligations under the Original Loan Agreement and the other Loan Documents (as defined in the Original Loan Agreement), including all of the security interests and other rights of the Original Lender pursuant to the Original Collateral Assignment (Patents), to The Governor and Company of the Bank of Scotland (the "Bank of Scotland") and together with the other lenders from time to time party to the Fourth Amended and Restated Loan Agreement referred to below, collectively, the "Lenders").

D. The Borrower, the Administrative Agent, the lenders and the other parties thereto amended and restated the Original Loan Agreement in its entirety pursuant to an Amended and Restated Loan, Guaranty and Security Agreement dated as of June 30, 1998 (the Original Loan Agreement, as so amended and restated, the "First Amended and Restated Loan Agreement"), and in connection with the First Amended and Restated Loan Agreement the Borrower and Administrative Agent amended the Original Collateral Assignment (Patents) pursuant to a First Amendment to Collateral Assignment and Security Agreement (Patents) dated as of June 30, 1998 (the Original Collateral Assignment (Patents), as so amended, the "First Amended Collateral Assignment (Patents)").

E. The Borrower, the Administrative Agent, the lenders and the other parties thereto further amended and restated the First Amended and Restated Loan Agreement in its entirety pursuant to a Second Amended and Restated Loan, Guaranty and Security Agreement

dated as of June 24, 1999 (the First Amended and Restated Loan Agreement, as so amended and restated, the "Second Amended and Restated Loan Agreement").

F. The Borrower, the Administrative Agent, the lenders and the other parties thereto further amended and restated the Second Amended and Restated Loan Agreement in its entirety pursuant to a Third Amended and Restated Loan, Guaranty and Security Agreement dated as of November 5, 2001, to be effective as of December 31, 2000 (the Second Amended and Restated Loan Agreement, as so amended and restated, the "Original Third Amended and Restated Loan Agreement"), and in connection with the Original Third Amended and Restated Loan Agreement the Borrower and Administrative Agent amended the First Amended Collateral Assignment (Patents) pursuant to a Second Amendment to Collateral Assignment and Security Agreement (Patents) dated as of November 5, 2001 (the First Amended Collateral Assignment (Patents), as so amended, the "Second Amended Collateral Assignment (Patents)").

G. The Borrower, the Administrative Agent, the lenders and the other parties thereto further amended the Original Third Amended and Restated Loan Agreement pursuant to a First Amendment to Third Amended and Restated Loan, Guaranty and Security Agreement (the "First Amendment to Loan Agreement") dated as of January 8, 2002 (the Original Third Amended and Restated Loan Agreement, as so amended, the "Third Amended and Restated Loan Agreement"), and in connection with the First Amendment to Loan Agreement, Borrower and Administrative Agent amended the Second Amended Collateral Assignment (Patents) pursuant to a Third Amendment to Collateral Assignment and Security Agreement (Patents) dated as of January 8, 2002 (the Second Amended Collateral Assignment (Patents), as so amended the "Collateral Assignment (Patents)").

H. The Borrower, the Administrative Agent, the lenders and the other parties thereto further amended and restated the Third Amended and Restated Loan Agreement pursuant to a Fourth Amended and Restated Loan, Guaranty and Security Agreement dated as of October 31, 2002 (the Third Amended and Restated Loan Agreement, as so amended and restated, the "Fourth Amended and Restated Loan Agreement").

I. It is a condition precedent for the Administrative Agent and the other Lenders to enter into the Fourth Amended and Restated Loan Agreement for the Borrower to amend the Collateral Assignment (Patents) as provided herein. Accordingly, the Borrower and the Administrative Agent agree as follows:

ARTICLE I

Definitions; Interpretation

SECTION 1.01. Definitions. All capitalized terms defined in the Fourth Amended and Restated Loan Agreement and not otherwise defined herein shall have the same meanings herein as in the Fourth Amended and Restated Loan Agreement.

SECTION 1.02. Interpretation. (a) In this Amendment, unless a clear contrary intention appears:

- (i) the singular number includes the plural number and *vice versa*;

(ii) reference to any gender includes each other gender;

(iii) the words "*herein*," "*hereof*" and "*hereunder*" and other words of similar import refer to this Amendment as a whole and not to any particular Article, Section or other subdivision;

(iv) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Amendment, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually, *provided* that nothing in this clause (iv) is intended to authorize any assignment not otherwise permitted by this Amendment;

(v) except as expressly provided to the contrary herein, reference to any agreement, document or instrument (including this Amendment) means such agreement, document or instrument as amended, supplemented or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof, and reference to any Note or other note includes any note issued pursuant hereto in extension or renewal thereof and in substitution or replacement therefor;

(vi) unless the context indicates otherwise, reference to any Article or Section means such Article or Section hereof;

(vii) the word "*including*" (and with correlative meaning "*include*") means including, without limiting the generality of any description preceding such term;

(viii) with respect to the determination of any period of time, except as expressly provided to the contrary, the word "*from*" means "*from and including*" and the word "*to*" means "*to but excluding*"; and

(ix) reference to any law, rule or regulation means such as amended, modified, codified or reenacted, in whole or in part, and in effect from time to time.

(b) The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

(c) No provision of this Amendment shall be interpreted or construed against any Person solely because that Person or its legal representative drafted such provision.

SECTION 1.03. SECTION 2. Amendments to Collateral Assignment (Patents).

(a) All references to "*Loan Agreement*" in the Collateral Assignment (Patents) shall be deemed to refer to the Fourth Amended and Restated Loan Agreement.

(b) All defined terms not otherwise defined in the Collateral Assignment (Patent) shall have the meanings set forth in the Fourth Amended and Restated Loan Agreement.

(c) Schedule I of the Collateral Assignment (Patents) is hereby amended in its entirety by Schedule I hereto.

SECTION 3. Reference to the Collateral Assignment (Patents). (a) Upon the execution of this Amendment, each reference in the Collateral Assignment (Patents) to "*this Agreement*," "*hereunder*," "*herein*" or words of like import shall mean and be a reference to the Collateral Assignment (Patents) as amended and affected hereby.

(b) Upon the execution of this Amendment, each reference in the Fourth Amended and Restated Loan Agreement and the other Loan Documents to the "Collateral Assignment and Security Agreement (Patents)" shall mean and be a reference to the Collateral Assignment (Patents), as amended and affected hereby.

(c) Upon the execution of this Amendment, each reference in the Collateral Assignment (Patents) to Schedule I shall mean and be a reference to Schedule I to this Amendment.

(d) The Borrower acknowledges and ratifies the Collateral Assignment (Patents) as amended hereby, and agrees and acknowledges that all the terms thereof as amended hereby (i) are hereby brought forward for the benefit of the Administrative Agent and the Lenders and (ii) shall remain in full force and effect.

(e) In the event of any conflict or inconsistency between the provisions of the Fourth Amended and Restated Loan Agreement and the provisions of the Collateral Assignment (Patents) as amended hereby, the provisions of the Fourth Amended and Restated Loan Agreement shall control.

SECTION 4. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS AND APPLICABLE FEDERAL LAW AND SHALL BE BINDING UPON THE BORROWER, THE LENDERS AND THE ADMINISTRATIVE AGENT AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

Borrower:

VAREL INTERNATIONAL, LTD., a Texas
limited partnership

By: Varel GP LLC, a Texas limited liability
company, its sole general partner

By:  _____
James W. Nixon, Manager

Administrative Agent:

**THE GOVERNOR AND COMPANY OF THE
BANK OF SCOTLAND**, incorporated by an act of
parliament in Scotland, as Administrative Agent

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

Borrower:

VAREL INTERNATIONAL, LTD., a Texas
limited partnership

By: Varel GP LLC, a Texas limited liability
company, its sole general partner

By: _____
James U. Nixon, Manager

Administrative Agent:

**THE GOVERNOR AND COMPANY OF THE
BANK OF SCOTLAND**, incorporated by an act of
parliament in Scotland, as Administrative Agent

By: Euan A E Leask
Name: EUAN A E LEASK
Title: ASSOCIATE DIRECTOR

SCHEDULE I

PATENTS GRANTED

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BEARING SEAL	60/346,056	November 16, 2001	Will convert to utility patent by 11/16/2002

FOREIGN PATENT APPLICATIONS

<u>Title</u>	<u>Application #</u>	<u>Filing Date</u>	<u>Status</u>
IMPROVED ROTARY CONE BIT FOR CUTTING REMOVAL – CANADA	2320396	09/22/2000	Pending
IMPROVED ROTARY CONE BIT FOR CUTTING REMOVAL – SWEDEN	00033654	09/21/2000	Pending
MILL/DRILL BIT – EUROPEAN PATENT OFFICE	02400013.5	03/04/2002	Pending
MILL/DRILL BIT – CANADA	2374086	03/01/2002	Pending
ROTARY CONE BIT WITH IMPROVED THRUST BEARING – CANADA	N/A	07/18/2002	Pending
ROTARY CONE BIT WITH IMPROVED THRUST BEARING – UNITED KINGDOM	0215327.8	07/03/2002	Pending
ROTARY CONE BIT WITH IMPROVED THRUST BEARING – ITALY	N/A	N/A	Not Filed
ROTARY CONE BIT WITH IMPROVED THRUST BEARING – JAPAN	N/A	N/A	Not Filed