

PATENT ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY AGREEMENT
CONVEYING PARTY DATA	
Name	Execution Date
G.A.E.M.S., Inc.	11/05/2010
RECEIVING PARTY DATA	
Name:	Walter T. Pereyra
Street Address:	Law Office of Paul L. Anderson, PLLC
Internal Address:	P.O. Box 48102
City:	Seattle
State/Country:	WASHINGTON
Postal Code:	98166
PROPERTY NUMBERS Total: 1	
Property Type	Number
Application Number:	29382611
CORRESPONDENCE DATA	
Fax Number:	(206)757-7700
<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>	
Phone:	2066223150
Email:	seapatentdocket@dwt.com
Correspondent Name:	DAVIS WRIGHT TREMAINE LLP/Rondeau
Address Line 1:	1201 Third Avenue, Suite 2200
Address Line 4:	Seattle, WASHINGTON 98101-3045
ATTORNEY DOCKET NUMBER:	92569-004US0
NAME OF SUBMITTER:	George C. Rondeau, Jr.

Total Attachments: 7
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SECURITY AGREEMENT

This Security Agreement (the "Agreement") is entered into as of November 5, 2010, by G.A.E.M.S., Inc. ("Debtor") and Walter T. Pereyra, ("Secured Party"), holder of a certain Secured Promissory Note of Debtor of even date herewith (the "Note").

RECITALS

A. Secured Party has extended or is extending a loan to Debtor in principal amount of up to One Million One Hundred Six Thousand Twenty Seven and 39/100 Dollars (\$1,106,027.39) on the terms of and subject to the conditions contained in the Note.

B. Debtor and Secured Party are entering into this Agreement in order to secure Debtor's repayment and performance obligations to Secured Party.

NOW, THEREFORE, the parties agree as follows:

1. *Definitions.*

(a) *Collateral.* The term "Collateral" means the property described in Exhibit A hereto.

(b) *Debtor.* The term "Debtor" has the meaning given in the preamble.

(c) *Default.* The term "Default" means any Default under the Note.

(d) *Intellectual Property Rights.* The term "Intellectual Property Rights" means the intellectual property rights of Debtor, whether perfected or incipient, including without limitation applications, patents, inventions, trademarks, design rights, copyrights (whether or not any of these is registered and including any application for registration of any such rights) relating to the portable gaming environment product line being funded, together with any corresponding patents issued therefrom, including all reissues, divisionals, continuations, reexaminations and extensions thereof, together with all corresponding foreign patents, extensions, supplemental protection certificates and applications corresponding thereto now issued or issued during the term of the Agreement. A patent or patent application shall cease to be included in the Intellectual Property Rights when any of the following occur: a) it expires; b) it is abandoned; or c) it is held to be unenforceable by a court of competent jurisdiction from which no appeal can be taken.

(e) *Note.* The term "Note" has the meaning given in the preamble.

(f) *Notice.* The term "Notice" means a written letter from Secured Party to Debtor

informing Debtor of Default.

(g) *Obligations.* The term "Obligations" means all debts, liabilities, and obligations owed by Debtor to Secured Party, specifically including the liabilities and obligations evidenced by the Note as well as the obligations of Debtor pursuant to the terms of this Agreement. The obligations stated in the Note and the obligations stated in this Agreement are separate and several Obligations to be secured.

(h) *Secured Party.* The term "Secured Party" has the meaning given in the preamble.

2. *Grant of Security Interest.* In consideration for the loan of funds by Secured Party as evidenced by the Note, and as security for the prompt payment and performance of the Obligations, Debtor grants to Secured Party a security interest in the Collateral. The Collateral shall be held by Debtor unless and until a Default occurs and is continuing.

3. *Perfection of Security Interests.* At any time, upon demand of Secured Party, Debtor will execute, file, and record any notice, financing statement, or other instrument necessary to create, continue, or perfect the security interest granted by this Agreement or to enable Secured Party to exercise or enforce its rights under this Agreement.

4. *Power of Attorney.* Following the occurrence of a Default that is continuing, Debtor grants to Secured Party power of attorney for the purpose of:

(a) Executing, in Debtor's name, one or more financing statements, continuation statements, registration statements, or other documents under the Washington Uniform Commercial Code or intellectual property registration laws and covering the Collateral, and naming Debtor as "debtor" and Secured Party as "secured party"; and

(b) Correcting and completing any financing statements, continuation statements, registration statements, or other documents pursuant to this power of attorney, whether or not they have been signed by Debtor, or by Secured Party on behalf of Debtor.

5. *Warranties and Covenants.* Debtor warrants and agrees that:

(a) *Protection of Collateral.* Except for the security interest granted by this Agreement and other security interests granted between the parties to this Agreement, no financing statement, security agreement, or other instrument naming Debtor as "debtor" and affecting the Collateral exists, or is on file or recorded in any public office, other than such instruments executed by the parties to this Agreement. Debtor will not, without obtaining the prior written consent of Secured Party, transfer or encumber any part of the Collateral or any interest in the Collateral except for liens arising or transfers made in the ordinary course of business. Debtor will not undertake any

action that will impair, damage, or destroy Secured Party's collateral position. Debtor owns and will keep the Collateral free and clear of liens, security interests, or other encumbrances.

(b) *Performance.* Debtor will perform promptly all of its Obligations.

(c) *Location of Records and Collateral.* Debtor's mailing address is 19015 North Creek Parkway, Suite 109, Bothell, WA 98011. The location of Debtor's place of business is the same. Debtor's records concerning the Collateral are kept at its place of business. The Collateral is currently located in various places in Bothell, Washington. Debtor will promptly notify the Secured Party of any change in the location of its place of business, Collateral with a book value in excess of \$10,000, or its records concerning the Collateral.

(d) *Access to Records.* Debtor will maintain full and accurate books of account, ledgers, and other written records relating to the Collateral. Secured Party shall at all reasonable times have the right to inspect any of Debtor's records relating to the Collateral and the right to obtain copies of the records.

(e) *Litigation.* No unsatisfied judgments, decrees, or orders of any court or governmental body are outstanding against Debtor or against the Collateral. No proceedings are pending, nor has Debtor been threatened with the institution of proceedings, before any court or governmental body which will affect the financial condition of Debtor or the status of the Collateral.

(f) *Payment of Taxes and Indebtedness.* Debtor will promptly pay all liens, taxes, assessments, or contributions required by law which may come due and which are lawfully levied or assessed with respect to any of the Collateral. Debtor will execute and deliver to Secured Party, promptly following demand, certificates attesting to the timely payment or deposit of the sums owed on all such liens, taxes, assessments, or contributions.

(g) *Power to Undertake Agreement.* Debtor has the requisite corporate power and has taken all necessary corporate action required to enter into this Agreement and to perform its obligations hereunder.

(h) *No Impairment of Obligations.* Until the Note has been paid in full, Debtor will not make any agreement which is inconsistent with its Obligations unless Debtor has obtained prior written consent from Secured Party.

(i) *Proprietary Rights and Non-Competition Agreements.* Debtor shall, within thirty (30) days following the date of this Agreement, obtain signed agreements concerning proprietary rights and non-competition substantially in the form attached hereto as Exhibit B (the "Company NDA") from each key employee or contractor of Debtor that has contributed to the development of the Intellectual Property Rights. Debtor further covenants that each new employee or contractor of

Debtor who will work on the G155 or G170 product lines will be required to sign the Company NDA.

6. *Notice of Default and Cure.* Secured Party shall deliver Notice of any Default to Debtor. Debtor agrees that receipt of Notice shall provide Debtor with reasonable advance notice of a planned sale or other disposition of the Collateral by Secured Party.

7. *Remedies.* Upon Default, Secured Party shall have the rights set forth in Section 6 of the Note.

8. *Modifications to Be in Writing.* This Agreement may not be changed orally. For a modification of this Agreement to be effective, it must be in writing and have been signed by each party. Every right or remedy granted by this Agreement may be exercised as often as shall be deemed expedient by Secured Party.

9. *Obligations Binding on Successors.* Debtor may not transfer its rights, duties, or obligations under this Agreement without the prior written consent of Secured Party. This Agreement and the duties it sets forth shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

10. *Termination of Agreement.* At such time as Debtor shall completely satisfy all the Obligations, this Agreement shall terminate. At that time, Secured Party shall deliver to Debtor the Note and any other instruments necessary to release Secured Party's interest in the Collateral.

11. *Venue.* The parties to this Agreement agree that any action on this Agreement shall be brought in a court of appropriate jurisdiction located in King County, Washington.

12. *Notice.* Any notice, consent, or other communication required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given either (1) when delivered personally to the party to whom it is directed (or any officer or agent of the party), or (2) three days after being deposited in the United States' certified or registered mail, postage prepaid, return receipt requested, and properly addressed to the party.

13. *Governing Law.* This Agreement will be construed and the rights, duties, and obligations of the parties will be determined in accordance with the laws of the State of Washington.

14. *Headings.* Headings used in this Agreement have been included for convenience and ease of reference only, and will not influence the construction or interpretation of any provision of this Agreement.

15. *Entire Agreement.* This Agreement and the Note represents the entire understanding of

the parties with respect to the subject matter hereof and thereof. There are no other prior or contemporaneous agreements, either written or oral between the parties with respect to this subject.

16. *Waiver.* No right or obligation under this Agreement will be deemed to have been waived unless evidenced by a writing signed by the party against whom the waiver is asserted, or by the party's duly authorized representative. Any waiver will be effective only with respect to the specific instance involved, and will not impair or limit the right of the waiving party to insist upon strict performance of the right or obligation in any other instance, in any other respect, or at any other time.

17. *Severability.* The parties intend that this Agreement be enforced to the greatest extent permitted by applicable law. Therefore, if any provision of this Agreement, on its face or as applied to any person, circumstance, or obligations is or becomes unenforceable to any extent, the remainder of this Agreement and the application of that provision to other persons, circumstances, obligation, or extent, will not be impaired.

18. *References.* Except as otherwise specifically indicated, all references to numbered or lettered sections or subsections refer to sections or subsections of this Agreement, and all references to this Agreement include any subsequent amendments to the Agreement.

19. *Attorneys' Fees.* Debtor agrees to pay all costs and expenses which Secured Party may incur by reason of any Default, including, but not limited to, reasonable attorneys' fees, expenses, and costs incurred in any efforts undertaken with respect to this Agreement, including any appeal of an action.

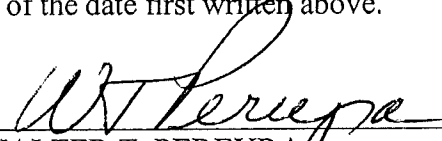
20. *Further Assurances.* Each party agrees to take any additional actions and to make, execute, and deliver any additional written instruments that may be reasonably required to carry out the terms, provisions, intentions, and purposes of this Agreement.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

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Executed and delivered as of the date first written above.

SECURED PARTY:


WALTER T. PEREYRA

DEBTOR:

G.A.E.M.S., INC.

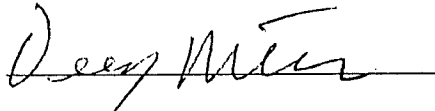
By: 
Its: Chief Executive Officer

EXHIBIT A
DESCRIPTION OF COLLATERAL

The Collateral consists of all Debtor's right, title and interest to the following described property:

Equipment. All machinery, furniture, materials, supplies, fixtures, equipment, and other tangible personal property, in all of its forms, wherever located, whether now existing or acquired at any time prior to January 1, 2011 (the "Equipment");

General Intangibles. All "general intangibles," as such term is defined in the Uniform Commercial Code, whether now existing or acquired at any time prior to January 1, 2011;

Intellectual Property. All Intellectual Property Rights, whether now existing or acquired at any time hereafter; and

Proceeds. All products and proceeds of the foregoing.