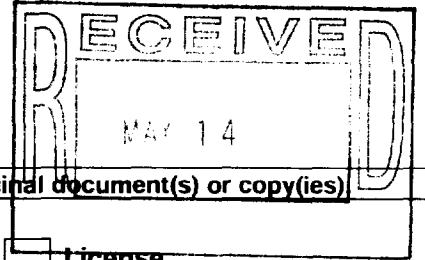


05-26-1999



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5.14.99



RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

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

Conveying Party

Mark if additional names of conveying parties attached

Name

Execution Date
Month Day Year

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

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.)

- Citizenship/State of Incorporation/Organization

05/25/1999 MTHAI1 00000004 230800 752448

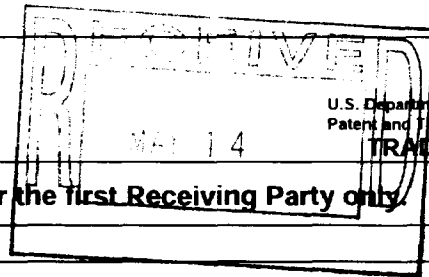
FOR OFFICE USE ONLY

01 FC:481 40.00 CH
02 FC:482 350.00 CH

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

REEL: 001901 FRAME: 0169



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

212-310-8614

Name

Bernadette McCann Ezring

Address (line 1)

Weil, Gotshal & Manges

Address (line 2)

767 Fifth Avenue

Address (line 3)

New York, NY 10153

Address (line 4)

Pages

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

#

18

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)

74265111

752448

972793

1949820

1953868

2093646

2011771

1129344

1834769

1553017

Number of Properties

Enter the total number of properties involved.

#

15

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

390.00

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:

#

23-0800

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.

Thomas A. Mountain

5/13/99

Name of Person Signing

Signature

Date Signed

**RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY**

FORM PTO-1618C
Expires 06/30/99
OMB 0651-0027

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

Conveying Party
Enter Additional 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
Enter Additional 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

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 the Assignment.)

Corporation Association

Other

Citizenship/State of Incorporation/Organization

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)

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<input type="text" value="755413"/>	<input type="text" value="1614976"/>	<input type="text" value="986844"/>
<input type="text" value="1936108"/>	<input type="text" value="1794354"/>	<input type="text"/>
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SCHEDULE A
TRADEMARKS

See attached schedule

United States Trademarks and Trademark Applications

Mark	Goods	Registration No	Application No
Centre Court	Tennis Balls	752,448	
Circa Series	Sports Bag for Racquet Sports		74/265111
Penn	Athletic Products, I.E. Tennis Balls and Tennis Racquets	972,793	
Penn (and Design)	Athletic Clothing, namely T-Shirts	1,949,820	
Penn (Stylized)	Athletic Clothing, namely T-Shirts & Sweatshirts	1,953,868	
Penn (Stylized)	Sports Footwear	2,093,646	
Penn (Stylized)	Racquetballs	2,011,771	
Penn (Stylized)	Tennis Equipment	1,129,344	
Penn Tac	Racquetball Glove	1,834,769	
Penn Tournament	Racquetballs	1,553,017	
Pennsy Pinkie	Hand Balls, Play Balls, Toy Ball & Playground Balls	755,413	
Pro Penn	T-Shirts	1,614,976	
Pro Penn	Tennis Balls	986,844	
ProPenn	Racquetballs	1,936,108	
Tribute	Tennis Balls	1,794,354	

TRADEMARK

REEL: 001901 FRAME: 0173

INTELLECTUAL PROPERTY SECURITY AGREEMENT

INTELLECTUAL PROPERTY SECURITY AGREEMENT, dated May 7, 1999 (this "*Agreement*"), made by Penn Racquet Sports, Inc., an Ohio corporation ("*Grantor*") in favor of Citicorp USA, Inc., as agent for the financial institutions party to the Loan Agreement referred to below (in such capacity, the "*Agent*").

WITNESSETH:

WHEREAS, Grantor, Head USA, Inc. and Mares America Corporation, as Borrowers and HTM USA Holdings, Inc., a Delaware corporation (the "*Company*"), as a guarantor, have entered into a Loan Agreement dated as of May 7, 1999, with the financial institutions and other entities from time to time party thereto as Lenders and as Issuers, Citibank, N.A. ("*Citibank*"), as an issuer, and the Agent (said Loan Agreement, as it may be amended or otherwise modified from time to time, being the "*Loan Agreement*"; capitalized terms used herein and not otherwise defined are used herein as defined in the Loan Agreement); and

WHEREAS, it is a condition precedent to the making of the Loans and the issuance of the Letters of Credit under the Loan Agreement that the Grantor shall have entered into this Agreement;

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make the Loans and the Issuers to issue the Letters of Credit, Grantor hereby agrees as follows:

1. **Defined Terms.** The following terms have the following meanings (such meanings being equally applicable to both the singular and the plural forms of the terms defined):

"*Agreement*" means this Intellectual Property Security Agreement, as the same may from time to time be amended, modified or supplemented, and shall refer to this Intellectual Property Security Agreement as in effect on the date such reference becomes operative.

"*Copyrights*" means copyrights, registrations and applications therefor in the United States or any other country, whether now existing or hereinafter created or acquired, and any and all (i) renewals and extensions thereof, (ii) income, royalties, damages and payments now and hereafter due or payable or both with respect thereto, including, without limitation, damages and payments for past or future infringements or misappropriations thereof, (iii) rights to sue for past, present and future infringements thereof, and (iv) all other rights corresponding thereto throughout the world.

“Guarantee Obligations” means the Obligations of Grantor under the Guarantee to which it is a party.

“Intellectual Property Collateral” has the meaning assigned to such term in Section 2 of this Agreement.

“Licenses” means license agreements in which Grantor now or hereinafter grants or receives a grant of any interest in Copyrights, Trademarks, Patents or Trade Secrets and/or other intellectual property and any and all (i) renewals, extensions, supplements, amendments and continuations thereof, (ii) income, royalties, damages and payments now and hereafter due or payable to Grantor with respect thereto, including, without limitation, damages and payments for past or future breaches thereof or infringements or misappropriations of rights granted thereunder, and (iii) rights to sue for past, present and future violations or breaches thereof (to the extent owned by such Grantor) or infringements or misappropriations of rights granted thereunder (to the extent owned by such Grantor).

“Patents” means patents and registrations and applications therefor in the United States or any other country along with any and all (i) inventions and improvements described and claimed therein, (ii) reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (iii) income, royalties, damages and payments now and hereafter due and/or payable to Grantor with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (iv) rights to sue for past, present and future infringements thereof, and (v) all other rights corresponding thereto throughout the world.

“Trademarks” means trademarks, service marks, trade dress, corporate names, business names, trade styles, logos, slogans, private label brand names, trade names in the United States (or any state or territory thereof) or any other country (or political subdivision thereof), other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature now existing or hereafter adopted or acquired whether registered or at common law, registrations and applications therefor (but excluding United States Intent to Use applications prior to the filing and acceptance of a Statement of Use or an Amendment to Allege Use in connection therewith), and the entire product lines and goodwill of Grantor’s business connected therewith and symbolized thereby, together with any and all (i) renewals, extensions or reissues thereof, (ii) income, royalties, damages and payments now and hereafter due or payable or both with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (iii) rights to sue for past, present and future infringements thereof, and (iv) all other rights corresponding thereto throughout the world.

“*Trade Secrets*” means trade secrets, whether now existing or hereinafter created, developed or acquired, along with any and all (i) income, royalties, damages and payments now and hereafter due and/or payable to Grantor with respect thereto, including, without limitation, damages and payments for past or future misappropriations thereof, (ii) rights to sue for past, present and future misappropriations thereof, and (iii) all other rights corresponding thereto throughout the world.

The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole, including the Exhibits and Schedules hereto, and not to any particular section, subsection or clause contained in this Agreement. The word “including” shall mean “including, without limitation” unless the context otherwise requires.

2. Grant of Security Interest in Intellectual Property Collateral.

In order to secure the complete and due and punctual payment of Grantor’s Obligations, and to induce Lenders and Agents to enter into the Loan Agreement and make loans thereunder, Grantor hereby grants and conveys to the Agent on behalf and for the ratable benefit of the Secured Parties as collateral security, a continuing security interest in all of Grantor’s entire right, title and interest in, to and under the following collateral whether now owned by or owing to, existing or hereafter acquired by or arising in favor of Grantor, subject to the proviso set forth below in this Section 2 (all of which being hereinafter referred to as the “*Intellectual Property Collateral*”):

- (i) all Trademarks owned by Grantor, including the Trademarks listed on Schedule A hereto;
- (ii) all Copyrights owned by Grantor, including the Copyrights listed on Schedule B hereto;
- (iii) all Patents owned by Grantor, including the Patents listed on Schedule C hereto;
- (iv) all Licenses of Grantor, including the Licenses listed on Schedule D hereto;
- (v) all Trade Secrets owned by Grantor; and
- (vi) all other intellectual property owned by Grantor;

provided that nothing hereunder constitutes or shall be deemed to constitute the grant of a security interest in favor of the Agent with respect to any Intellectual Property Collateral to the extent prohibited by applicable law.

3. **Representations and Warranties.** Grantor represents and warrants that:

(a) Schedules A, B and C attached hereto list, respectively, all registrations and applications of the Trademarks, Copyrights and Patents owned by Grantor and all material unregistered Trademarks owned or used by Grantor;

(b) Schedule D attached hereto lists all Licenses involving intellectual property used on or in connection with products sold by Grantor;

(c) The Trademarks, Copyrights, Patents and Trade Secrets of Grantor are subsisting and have not been adjudged invalid or unenforceable, in whole or in part, and all Licenses are in full force and effect and enforceable against the parties thereto in accordance with their terms subject to bankruptcy and similar laws affecting creditor's rights and remedies generally and to principles of equity;

(d) Grantor has the full right, power and authority to enter into this Agreement and to grant all of the right, title and interest herein granted;

(e) The execution, delivery and performance by Grantor of this Agreement do not and will not conflict with any contractual restriction binding on or affecting Grantor or any of its properties;

(f) This Agreement has been duly executed and delivered by Grantor and is a legal, valid and binding obligation of Grantor enforceable against Grantor in accordance with its terms;

(g) The Intellectual Property Collateral has not been assigned, transferred, conveyed or otherwise encumbered in any manner inconsistent with the grant of rights contained herein or in the Loan Agreement, and except as indicated in Licenses set forth on Schedule D, no party other than Grantor and Agent has been granted any rights in or to the Intellectual Property Collateral;

(h) Grantor is the sole and exclusive owner of the Intellectual Property Collateral, all of which is free and clear of any Liens and encumbrances, and no other person or entity has asserted any claim, or to the best of Grantor's knowledge has any claim, with respect to the Intellectual Property Collateral;

(i) The Intellectual Property Collateral includes all intellectual property used or required by Grantor in connection with distributing goods, performing services and otherwise carrying on the business of Grantor as currently conducted or proposed to be conducted;

(j) To the best of Grantor's knowledge, the Intellectual Property Collateral and use thereof does not infringe or conflict with any rights owned or possessed by any third party or violate any law;

(k) There are no claims, judgments or settlements to be paid by Grantor or pending claims, challenges, office actions, oppositions, litigations or any other proceedings before government bodies or courts relating to the Intellectual Property Collateral, except as set forth on Schedule E hereto;

(l) No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Intellectual Property Collateral is on file or of record in any public office, except such as may have been filed by Grantor in favor of the Agent for the benefit of the Secured Parties pursuant to this Agreement or such as relate to other Permitted Liens; and

(m) The filing and recordation of this Agreement with the United States Patent and Trademark Office and the United States Copyright Office, the filing of Uniform Commercial Code ("UCC") financing statements in the jurisdictions and filing offices required for perfection of a security interest granted in general intangibles under Article 9 of the UCC and the filing of appropriate recording documents in filing offices located in foreign countries are effective to create a valid and continuing first priority lien on and first priority security interest in the Intellectual Property Collateral now existing in favor of the Agent for the benefit of the Secured Parties and is enforceable as such as against creditors of and (except as may be limited by applicable law) purchasers from Grantor, subject to applicable bankruptcy and similar laws affecting creditors' rights and remedies generally. All actions (including, without limitation, all filings, registrations and recordings) necessary or desirable to create, protect and perfect such security interest in each item of the Intellectual Property Collateral has been duly taken or, upon the Agent's request (including in respect of after arising items), shall be taken.

4. Rights and Remedies; Application of Monies.

(a) Upon the occurrence and during the continuation of a Default or an Event of Default, the Agent may to the fullest extent permitted by applicable law, without prior notice to Grantor, and without advertisement, hearing or process of law in any kind, (i) exercise any and all rights as beneficial and legal owner of the Intellectual Property Collateral, including, without limitation, any and all consensual rights and powers with respect to the Intellectual Property Collateral, and/or (ii) sell or assign or grant a license or franchise to use, or cause to be sold or assigned or granted a license or franchise to use, any or all of the Intellectual Property Collateral, in each case, free of all rights and claims of Grantor therein and thereto (but subject, in each case, to the rights of others heretofore granted or created by Grantor in the ordinary course of business). Upon the occurrence and during the continuation of a Default or an Event of Default, the Agent may (i) sell or assign the Intellectual Property Collateral, or any part thereof, for cash upon credit as the Agent may deem appropriate or (ii) grant licenses or franchises or both to use the

Intellectual Property Collateral on such terms and conditions as the Agent shall determine. In connection therewith, the Agent shall have the right to impose such limitations and restrictions on the sale or assignment of the Intellectual Property Collateral as the Agent may deem to be necessary or appropriate to comply with any law, rule or regulation (Federal, state, local or that of a foreign country) having applicability to any such sale and requirements for any necessary governmental approvals.

(b) It is expressly understood that, anything herein to the contrary notwithstanding, Grantor shall remain liable under each of its Contracts (as such term is defined in the Borrower Security Agreement) and each of its Licenses to observe and perform all the conditions and obligations to be observed by it thereunder and Grantor shall perform all of its duties and obligations thereunder, all in accordance with and pursuant to the terms and provisions of each such Contract or License. Neither Agent nor any Lender shall have any obligation or liability under any Contract or License by reason of or arising out of this Agreement or the granting to Agent and the Lenders of a security interest therein, nor shall Agent or any Lender be required or obligated in any manner to perform or fulfill any of the obligations of Grantor under or pursuant to any Contract or License, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or License, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(c) Grantor hereby expressly waives, to the fullest extent permitted by applicable law, any and all notices, advertisements, hearings or process of law in connection with the exercise by the Agent of any of its rights and remedies hereunder. The Agent shall not be liable to any Person for any incorrect or improper payment made pursuant to this Section 4, in the absence of gross negligence or willful misconduct.

(d) Notwithstanding any provisions of this Agreement to the contrary, if, after giving effect to any sale, transfer, assignment or other disposition of any or all of the Intellectual Property Collateral pursuant hereto and after the application of the proceeds hereunder to Obligations, any Obligations remain unpaid or unsatisfied, the Grantor shall remain liable for the unpaid and unsatisfied amount of such Obligations.

(e) This Agreement is made to provide for and secure repayment of the Obligations of Grantor which repayment shall be applied in accordance with the Security Agreement of the Grantor.

(f) Upon the declaration of an Event of Default, Grantor agrees that it will promptly (and in any event within three Business Days) deliver to the Agent or its designee an assignment of the Intellectual Property Collateral, duly executed by Grantor, in substantially the form of Exhibit I annexed hereto, which assignment may be recorded with the United States Patent and Trademark Office or any comparable or other public office in the United States or any other country. Grantor agrees that the Agent may duly

execute such an assignment as Grantor's true and lawful attorney-in-fact pursuant to Section 16 hereof.

5. **Security Interest Absolute.** All rights of the Agent and the Lenders and security interests granted herein, and all obligations of Grantor pursuant hereto, shall be absolute and unconditional irrespective of:

(a) the lack of validity or enforceability of any provisions in the Loan Agreement, the Notes or any other Loan Document or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Loan Agreement, the Notes or any other Loan Document;

(c) any exchange, release or non-perfection of any Collateral other than the Intellectual Property Collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations; or

(d) any other circumstance which might otherwise constitute a defense available to, or a discharge of, Grantor or third-party grantor.

6. **Termination of Security Interest.** This Agreement, and the security interests created or granted hereby or thereby, shall terminate when the later of the following shall have occurred: (a) the date that the last Obligations shall have been fully paid and satisfied and the Commitments have been terminated and (b) the date as of which the last of the Commitments and any other obligations that any of the Secured Parties have under any of the Loan Documents or related documents and instruments have terminated, at which time the Agent (without recourse upon, or any warranty whatsoever by, the Agent) shall execute and deliver to the Company, for filing in each office in which any security agreement, notice or other filing, or any part thereof, shall have been filed, an instrument releasing the Agent's security interest in the Intellectual Property Collateral, and such other documents and instruments to terminate any security interest of the Agent granted hereby as Grantor may reasonably request, all without recourse upon, or warranty whatsoever by, the Agent, except that the same shall be free and clear of any claims, liens or encumbrances created by or in respect of the Agent, and at the cost and expense of Grantor.

7. **Use and Protection of Intellectual Property Collateral.**

(a) Notwithstanding anything to the contrary contained herein, unless an Event of Default has occurred and is continuing, Grantor may continue to exploit, license, franchise, use, enjoy and protect (whether in the United States of America or any foreign jurisdiction) the Intellectual Property Collateral in the ordinary course of business

(provided Grantor does not take action inconsistent with Agent's rights hereunder or under the Loan Agreement) and the Agent shall from time to time execute and deliver, upon written request of Grantor and at Grantor's sole cost and expense, any and all instruments, certificates or other documents, in the form so requested, necessary or appropriate in the judgment of Grantor to enable Grantor to do so.

(b) In order to more fully protect the Intellectual Property Collateral in respect of which security interests have been granted to the Agent by Grantor hereunder, Grantor may hereafter transfer to the Agent such additional rights, privileges, marks and licenses as Grantor may in its discretion determine to be necessary and appropriate to the continuing exploitation, licensing, use, enjoyment and protection (whether in the United States of America or any foreign jurisdiction) of the Intellectual Property Collateral. It is understood that the foregoing is not in derogation of Agent's security interest in and/or Agent's rights in respect of, Intellectual Property arising, developed, created or acquired hereafter, all as granted herein and in the Loan Agreement.

8. Duties of Grantor. Grantor shall have the duty to preserve and maintain all of its rights in the Intellectual Property Collateral, except to the extent that failure to do the same would not reasonably be expected to have a Material Adverse Effect. Grantor shall take all action reasonably requested by the Agent to fulfill Grantor's obligations under the preceding sentence and to register, record and/or perfect the Agent's rights hereunder. Such duties shall include, but not be limited to, the following:

(a) Grantor shall notify Agent promptly if it knows or has reason to know that any application or registration relating to any Trademark that is material to the conduct of Grantor's business may become abandoned or dedicated, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or any court) regarding Grantor's ownership of any Trademark which is material to the conduct of Grantor's business, or, as to any Trademark which is material to the conduct of Grantor's business, its right to register the same or to keep and maintain the same.

(b) In no event shall Grantor, either itself or through any agent, employee, licensee or designee, file an application for the registration of any Trademark, Patent or Copyright with (as appropriate) the United States Patent or Trademark Office, the United States Copyright Office or any political subdivision thereof without giving Agent prior written notice thereof and, upon request of Agent, Grantor shall execute and deliver any and all agreements, instruments, documents and papers as Agent may request to evidence Agent's security interest in the Intellectual Property Collateral and new intellectual property added to the Intellectual Property Collateral under the terms of Section 20, including the goodwill, of Grantor relating thereto or represented thereby.

(c) Grantor shall take all necessary actions with respect to each Trademark that is material to the conduct of Grantor's business or a material portion of the Intellectual Property Collateral to (1) with respect to each material Trademark adopted after the date hereof, file an application for registration of such material Trademark (in accordance with subsection (b) above), (2) maintain and pursue each trademark application covering such material Trademark, and (3) obtain and maintain the relevant trademark registrations for such material Trademark, including, without limitation, the filing of applications for renewal, affidavits of use, affidavits of noncontestability and opposition and interference and cancellation proceedings and not divest its rights in respect of such Trademark without the prior written consent of Agent.

(d) In the event that Grantor becomes aware that any Trademark is or may be infringed upon or diluted by a third party, Grantor shall (1) notify Agent promptly after Grantor learns thereof, (2) promptly sue for infringement or dilution and to recover any and all damages for such infringement or dilution or take such other action as may be agreed to by Agent in writing, and (3) take such other actions as Grantor shall reasonably deem appropriate under the circumstances to protect such Trademark, unless in the case of (2) or (3) such infringement or dilution would not reasonably be expected to have a Material Adverse Effect on the conduct of Grantor's business.

(e) With respect to any Patent or Copyright which is material to the conduct of Grantor's business, Grantor agrees (1) not to divest its rights under such Patent or Copyright without the prior written approval of Agent, and (2) to take all action necessary to maintain each such Patent or Copyright.

(f) In the event that Grantor becomes aware that any of Grantor's rights in any material Patent or Copyright are being infringed or violated, Grantor shall (1) promptly upon learning of the same, furnish Agent in writing with all pertinent information available to Grantor with respect to any such infringement or the violation and (2) prosecute any person infringing any such Patent or Copyright or take such other action as may be agreed to by Agent in writing, unless in the case of (2) such infringement or violation would not reasonably be expected to have a Material Adverse Effect on the conduct of Grantor's business.

(g) Grantor shall not amend, modify, terminate or waive any provisions of any contract (including any License) to which Grantor is a party in any manner which reasonably may be expected to have a Material Adverse Effect on the Grantor's business.

9. **Payment of Obligations.** Grantor will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Intellectual Property Collateral or in respect of its income or profits therefrom and all claims of any kind, except that no such charge need be paid if (i) such non-payment does not involve any danger of forfeiture or loss of any of the Intellectual Property Collateral or any

interest therein and (ii) such charge is adequately reserved against in accordance with and to the extent required by GAAP.

10. **The Agent's Right to Sue.** Whenever an Event of Default shall have occurred and be continuing, the Agent shall have the right, but shall in no way be obligated, to bring suit in its own name to protect or enforce the Trademarks, Copyrights, Licenses, Patents and Trade Secrets, and, if the Agent shall commence any such suit, Grantor 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 protection or enforcement.

11. **Maintenance of Records.** Grantor will keep and maintain at its own cost and expense satisfactory and complete records of the Intellectual Property Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Intellectual Property Collateral and all other dealings with the Intellectual Property Collateral. Grantor will mark its books and records pertaining to the Intellectual Property Collateral to evidence this Agreement and the security interests granted hereby. For the Agent's and the Lenders' further security, Grantor agrees that the Agent and the Lenders shall have a special property interest in all of Grantor's books and records pertaining to the Intellectual Property Collateral and, upon the occurrence and during the continuation of any Event of Default, Grantor shall deliver and turn over any such books and records to the Agent or its representatives at any time on demand of the Agent. Prior to the occurrence of an Event of Default and upon reasonable notice from the Agent, Grantor shall permit any representative of the Agent to inspect such books and records as set forth in Section 12.

12. **Right of Inspection.** Upon reasonable notice to Grantor (unless an Event of Default has occurred and is continuing, in which case no notice is necessary), the Agent shall at all times have full and free access during normal business hours to all of Grantor's books, records and correspondence, and the Agent or its representatives may examine the same, take extracts therefrom and make photocopies thereof, and Grantor agrees to render to the Agent, at Grantor's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto.

13. **No Waiver; Cumulative Remedies.** No failure on the part of the Agent to exercise, and no delay on the part of the Agent in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Agent preclude other or further exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies that may be available to the Agent whether at law, in equity or otherwise.

14. **Notices, Etc.** All notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, telecopy, or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered by hand, if to the Grantor, addressed to them in care of the Company at the address of the

Company specified in the Loan Agreement, and if to any Secured Party, addressed to it at the address of such Secured Party specified in the Loan Agreement, or, as to each party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section. All such notices and other communications shall, when mailed, telegraphed, telexed, telecopied, cabled or delivered, be effective when deposited in the mails, delivered to the telegraph company, confirmed by telex answerback, telecopied with confirmation or receipt, delivered to the cable company, or delivered by hand to the addressee or its agent, respectively.

15. **Expenses of Collection.** Grantor hereby agrees to pay all expenses of the Agent, including reasonable attorneys' fees, incurred with respect to the collection of any of the Intellectual Property Collateral and the enforcement of the respective rights of the Agent and the Lenders hereunder (together with interest thereon from and after the date of payment of such expenses by the Agent in accordance with the rate then in effect for Loans under the Loan Agreement), which expenses together with interest thereon as aforesaid shall constitute Obligations.

16. **Agent Appointed Attorney-in-Fact.** Grantor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as Grantor's true and lawful attorney-in-fact, for the purpose of taking such action and executing agreements, instruments and other documents, in the name of Grantor or otherwise, not inconsistent with the express provisions of this Agreement, as the Agent may deem necessary or advisable to accomplish the purposes hereof. Without limiting the generality of the foregoing, Grantor hereby grants to Agent the power and right, on behalf of Grantor, without notice to or assent by Grantor upon the occurrence and during the continuation of an Event of Default to do the following: (i) commence and prosecute suits, actions and proceedings at law to collect monies owed in respect of the Intellectual Property Collateral or to enforce any right in respect thereof, (ii) defend any suit, action or proceeding brought against Grantor involving the Intellectual Property Collateral and settle, compromise or adjust any such suit, action or proceeding or give discharges or releases, (iii) license or sublicense, whether general, specific or otherwise, on an exclusive or non-exclusive basis, and of the Intellectual Property Collateral as Agent deems desirable, (iv) sell, pledge, transfer or otherwise deal with the Intellectual Property Collateral as fully and completely as if Agent were the absolute owner thereof and do, at Agent's option and Grantor's expense, all acts and things Agent deems desirable to perfect, preserve or realize upon the Intellectual Property and its Lien. This appointment is an agency coupled with an interest and is irrevocable until payment in full of all Obligations.

17. **Governing Law; Binding Effect; Assignment.** This Agreement shall be governed by and construed in accordance with the law of the State of New York. This Agreement shall be binding upon Grantor and the Agent and their respective successors and assigns and shall inure to the benefit of Grantor and the Agent and their respective successors and assigns; provided that no Grantor may assign its rights or

obligations hereunder or in connection herewith or any interest herein (voluntarily, by operation of law or otherwise) without the prior written consent of the Agent. Except as provided in Section 2, no other Person (including, without limitation, any other creditor of Grantor) shall have any interest herein or any right or benefit with respect hereto and this Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and each of their respective successors and assigns.

18. Further Indemnification. Grantor agrees to pay, and save the Agent harmless from, any and all liabilities with respect to, or resulting from any delay in paying (other than a delay caused by the gross negligence or willful misconduct of the Agent), any and all excise, sales or other similar taxes which may be payable with respect to any of the Intellectual Property Collateral or in connection with any of the transactions contemplated by this Agreement.

19. Agent May Perform. If Grantor fails to perform any agreement contained herein, the Agent may, but shall not be obligated to, itself perform, or cause performance of, such agreement, and the expenses of the Agent incurred in connection therewith shall be payable by Grantor pursuant to Section 15 hereof or, if not so paid, shall become Obligations.

20. New Intellectual Property. In the event, prior to the time the Obligations have been indefeasibly paid in full and the Loan Agreement terminated, Grantor shall obtain any rights to or interests in, or become entitled to the benefit of any, intellectual property of the type enumerated in Section 2, the provisions of this Agreement shall automatically apply thereto and thereafter such property shall constitute Intellectual Property Collateral. Grantor agrees, promptly following the written request by the Agent, to amend this Agreement by amending any or all of Schedules A, B, C, D and E, as applicable, to include any such new Intellectual Property Collateral, and cooperate with Agent to immediately prepare, execute and record, subject to the terms of Section 618 of the Credit Agreement, with all appropriate foreign country, Federal, state and/or local offices and authorities a Security Agreement for any such new Intellectual Property Collateral, in form and substance similar to this Agreement.

21. Submission to Jurisdiction; Service of Process; Jury Trial.

(a) Any legal action or proceeding with respect to this Agreement or any document related thereto may be brought in the courts of the State of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Agreement, Grantor hereby accepts for itself and in respect of its Property, generally and unconditionally, the jurisdiction of the aforesaid courts. The parties hereto hereby irrevocably waive any objection, including any objection to the laying of venue or based on the grounds of *forum non conveniens*, which any of them may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions.

(b) Grantor irrevocably consents to the service of process of any of the aforesaid courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to Grantor at the address provided herein.

(c) Nothing contained in this Section 21 shall affect the right of the Agent or any Secured Party to serve process in any other manner permitted by law or commence legal proceedings or otherwise proceed against Grantor in any other jurisdiction.

(d) THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, BETWEEN THE AGENT, THE LENDERS, AND/OR THE ISSUERS AND THE GRANTOR ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.

22. Amendments, Etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure by Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

23. Further Documentation. Grantor agrees that at any time and from time to time, at its own expense, Grantor promptly will execute and deliver such further instruments and documents, and take such further action, as may be necessary or desirable, or as the Agent may request, in order to perfect and protect any security interests granted or purported to be granted hereby, to obtain the full benefits hereof, or to enable the Agent to exercise and enforce the rights and remedies pursuant hereto with respect to any of the Intellectual Property Collateral.

24. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

25. Section Titles. The Section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not part of this Agreement.

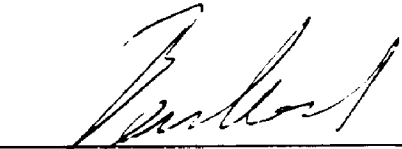
26. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which counterparts, when so executed and delivered,

shall be deemed to be an original and all of which counterparts, taken together, shall constitute one and the same Agreement.

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IN WITNESS WHEREOF, the Grantor has caused this Intellectual Property Security Agreement to be executed and delivered by its duly authorized officer, on the date first above written.

PENN RACQUET SPORTS, INC.

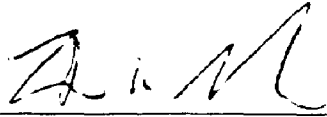
By 
Name: RALF BERNHART
Title: SECRETARY

SIGNATURE PAGE TO
INTELLECTUAL PROPERTY SECURITY AGREEMENT

TRADEMARK
REEL: 001901 FRAME: 0188

Accepted and Acknowledged:

CITICORP USA, INC., as Agent

By:  _____

Name THOMAS M. HALSCH
Title VICE PRESIDENT

SIGNATURE PAGE TO
INTELLECTUAL PROPERTY SECURITY AGREEMENT

RECORDED: 05/14/1999

TRADEMARK
REEL: 001901 FRAME: 0189