

08-07-1998

U.S. Department of Commerce
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PATENT

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**RECORDATION FORM COVER SHEET
PATENTS ONLY**

AUG 3

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

Name (line 1) Execution Date
Month Day Year

Name (line 2)

Second Party

Name (line 1)

Name (line 2)

Execution Date
Month Day Year

Receiving Party

Mark if additional names of receiving parties attached

Name (line 1) 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.)

Name (line 2)

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

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)

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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: 9300 FRAME: 0254

Correspondent Name and Address

Area Code and Telephone Number (919) 286-8000

Name Richard W. Evans

Address (line 1) Moore & Van Allen, PLLC

Address (line 2) 2200 West Main Street

Address (line 3) Suite 800

Address (line 4) Durham, NC 27705

Pages

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

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)

09/009,234

Patent Number(s)

5,107,794

5,247,903

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 /US98/01010

PCT

PCT

PCT

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PCT

Number of Properties

Enter the total number of properties involved. # 4

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41): \$ 160.00

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

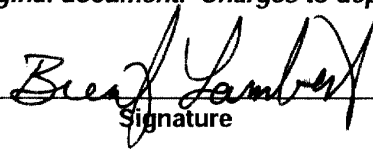
No

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.

D. Brent Lambert

Name of Person Signing


Signature

7/31/98

Date

STATE OF MARYLAND

SECURITY AGREEMENT
AND GUARANTEE

WICOMICO COUNTY

THIS SECURITY AGREEMENT (the "Agreement") is made as of the 1st day of July, 1998 by and between SERVICE ENGINEERING CORPORATION, a Maryland corporation ("Debtor"), EDWARD G. BOUNDS, JR. ("Bounds"), and MOORE & VAN ALLEN, PLLC, a North Carolina professional limited liability company (the "Secured Party").

R E C I T A L S :

A. As of June 29, 1998, Debtor is indebted to Secured Party for legal services performed by the Secured Party for Debtor in the amount of Eight Hundred Eighty-One Thousand Three Hundred Fifty-One and 10/100 Dollars (\$881,351.10), with the expectation that the amount of such indebtedness will be increased by and shall include the amounts of any future legal services performed by Secured Party on behalf of Debtor or Bounds (the current balance and the indebtedness for future legal services being hereinafter referred to as the "Debt").

B. As security for the payment of the Debt by Debtor to Secured Party, Debtor desires to grant to Secured Party a security interest in certain property of Debtor as provided herein.

C. Bounds is the sole shareholder of Debtor and is joining in this Agreement to both (i) provide additional collateral to secure the payment of the Debt, and (ii) to personally guarantee Debtor's obligation to repay the Debt.

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Debtor, Bounds and Secured Party hereby agree as follows:

1. Grant of Security Interest. Debtor and Bounds hereby grant to Secured Party a continuing security interest in the property described in Exhibit A attached hereto and incorporated herein by this reference (collectively and severally the "Collateral") to secure payment of the Debt by Debtor to Secured Party. Debtor and Bounds agree to execute and file any UCC Financing Statements or other documents necessary to perfect Secured Party's interest in the Collateral. If the Collateral is eligible for the issuance of a certificate of title, the Secured Party may require that its security interest be noted on said title.

2. Warranties and Representations. Debtor and Bounds warrant that, as to their respective Collateral, each of them (i) has title to the Collateral, free and clear of any lien or security interest, (ii) will maintain the Collateral in good working condition and (iii) will maintain insurance on the Collateral.

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3. Default and Remedies. In the event that Debtor defaults in the payment of all or any part of the Debt, Secured Party may, at its option, upon written notice of demand to Debtor, and in addition to all rights and remedies otherwise available to Secured Party, do any one or more of the following: (i) foreclose or otherwise enforce Secured Party's security interest in any manner permitted by law, or provided for in this Security Agreement; (ii) sell, lease or otherwise dispose of any Collateral at one or more public or private sales; or (iii) pursue any remedies available under the Uniform Commercial Code in force in the State of Maryland.

Debtor and Bounds agree that Secured Party need not give more than ten (10) days' written notice (which notification shall be deemed received three (3) days after mailing, postage prepaid, addressed to Debtor or Bounds at the addresses set forth below) of the time and place of any public or private sale or of the time after which a private sale may take place, and that such notice is reasonable notification of such matters. Debtor shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all amounts to which Secured Party is entitled, Debtor also being liable for the reasonable attorney's fees for any attorneys employed by Secured Party to collect such deficiency.

4. Guarantee. To further secure Debtor's obligations to Secured Party, Bounds hereby irrevocably, unconditionally and absolutely guarantees the payment of the Debt to Secured Party.

Bounds waives diligence, notice of breach, presentment, demand for payment, notice of dishonor, extension of time for payment, protest and notice of protest, notice of acceptance of this guarantee and notice of every kind, consents to any and all forbearance and extensions of the time and payment of any amounts due by Debtor to Secured Party and to any and all changes in the terms, covenants and conditions thereof, hereafter made or granted, it being the intention of the parties that Bounds shall remain liable as a guarantor under this Agreement until the full payment of the Debt, notwithstanding any act, omission or thing which might otherwise operate as a legal or equitable discharge of Bounds.

This guarantee is a guarantee of payment and not of collection. Secured Party, in its sole discretion, shall have the right to proceed first and directly against Bounds, his heirs, personal representatives and assigns, under this guarantee without proceeding against or exhausting its remedies against the Debtor under this Agreement. Secured Party may exercise or refrain from exercising any rights against Debtor or otherwise act or refrain from acting and may settle or compromise any of said Debt or obligations with Debtor and such actions shall not release or otherwise affect the obligations of Bounds hereunder.

5. Cumulative Rights. The rights, powers and remedies of Secured Party under this Agreement shall be in addition to all rights, powers and remedies given to Secured Party by virtue of any statute or rule of law or any other debt instruments, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing Secured Party's security interest in the Collateral.

6. Notices. All notices required to be given hereunder shall be in writing and addressed to the parties at the following addresses, or such other addresses as may from time to time be designated by written notice given as herein required:

To Debtor: Service Engineering Corporation
Attn: President
1707 Timberlake Drive
Salisbury, Maryland 21801-7032

To Bounds: Edward G. Bounds, Jr.
1707 Timberlake Drive
Salisbury, Maryland 21801-7032

To the Secured Party: Moore & Van Allen, PLLC
Attn: Reich L. Welborn
2200 West Main Street
Suite 800
Durham, North Carolina 27705

7. Waiver. Any forbearance, failure or delay by Secured Party in exercising any right, power or remedy shall not preclude the further exercise thereof, and every right, power or remedy of Secured Party shall continue in full force and effect until such right, power or remedy is specifically waived in a writing executed by Secured Party. Debtor and Bounds waive any right to require Secured Party to proceed against any person or to exhaust any Collateral or to pursue any remedy in Secured Party's power.

8. Binding Upon Successors. All rights of Secured Party under this Agreement shall inure to the benefit of its successors and assigns, and all obligations of Debtor and Bounds shall bind their respective heirs, executors, administrators, successors and assigns.

9. Severability. If any of the provisions of this Agreement shall be held invalid or unenforceable, this Agreement shall be construed as if not containing those provisions and the rights and obligations of the parties hereto shall be construed and enforced accordingly.

10. Choice of Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Maryland.

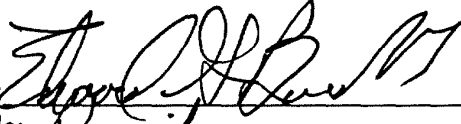
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IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

DEBTOR:

SERVICE ENGINEERING CORPORATION

By: 
Title: President

SECURED PARTY:

MOORE & VAN ALLEN, PLLC

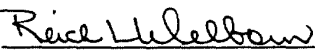
By: 
Title: member

EXHIBIT A

COLLATERAL

- (a) All presently owned or hereafter acquired inventory of the Debtor.

- (b) All equipment, furniture and fixtures owned by the Debtor of every kind and description including, without limitation, fixtures, accessories, office equipment and office furnishings wherever located, now owned by the Debtor, or whenever from time to time hereafter acquired by the Debtor.

- (c) All general intangibles and accounts, as those terms are defined in Section 9-106 of the Uniform Commercial Code as in effect in the State of Maryland, presently owned or hereafter acquired by Debtor.

- (d) All intellectual property rights of Debtor and/or Bounds, including any and all patents and service marks now held or hereafter acquired, whether or not registered with the United States Patent and Trademark Office.

- (e) All proceeds of the conversion, voluntary or involuntary, of any of the foregoing collateral.

**STANDARD FORM
UNIFORM COMMERCIAL CODE - FINANCING STATEMENT - FORM UCC-1**

JULIUS BLUMBERG, INC. NYC, 10013

INSTRUCTIONS:

1. PLEASE TYPE this form. Fold only along perforation for mailing.
2. Remove Secured Party and Debtor copies and send other 3 copies with interleaved carbon paper to the filing officer. Enclose filing fee.
3. If the space provided for any item(s) on the form is inadequate the item(s) should be continued on additional sheets, preferably 5" x 8" or 8" x 10". Only one copy of such additional sheets need be presented to the filing officer with a set of three copies of the financing statement. Long schedules of collateral, indentures, etc., may be on any size paper that is convenient for the secured party. Indicate the number of additional sheets attached.
4. If collateral is crops or goods which are or are to become fixtures, describe generally the real estate and give name of record owner.
5. When a copy of the security agreement is used as a financing statement, it is requested that it be accompanied by a completed but unsigned set of these forms, without extra fee.
6. At the time of original filing, filing officer should return third copy as an acknowledgement. At a later time, secured party may date and sign Termination Legend and use third copy as a Termination Statement.

This FINANCING STATEMENT is presented to a filing officer for filing pursuant to the Uniform Commercial Code:		3. Maturity date (if any): For Filing Officer (Date, Time, Number, and Filing Office)
1. Debtor(s) (Last Name First) and address(es) Service Engineering Corporation 1707 Timberlake Drive Salisbury, Maryland 21801-7032	2. Secured Party(ies) and address(es) Moore & Van Allen, PLLC 2200 West Main Street Durham, North Carolina 27705 Attn: Reich L. Welborn	
4. This financing statement covers the following types (or items) of property: See attached Exhibit A.		
5. Assignee(s) of Secured Party and Address(es)		

This statement is filed without the debtor's signature to perfect a security interest in collateral. (check <input checked="" type="checkbox"/> if so) <input type="checkbox"/> already subject to a security interest in another jurisdiction when it was brought into this state. <input type="checkbox"/> which is proceeds of the original collateral described above in which a security interest was perfected.	Filed with:
Check <input checked="" type="checkbox"/> if covered: <input type="checkbox"/> Proceeds of Collateral are also covered. <input type="checkbox"/> Products of Collateral are also covered. No. of additional Sheets presented:	

Service Engineering Corporation

By: Edward G. Stowers (1) Filing Officer Copy-Alphabetical Edward G. Stowers President Title

By: _____ Signature(s) of Secured Party(ies) _____ Title

STANDARD FORM - FORM UCC-1. (For Use In Most States)

