

07-30-2001



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UNITED STATES PATENT AND TRADEMARK OFFICE

RECORDATION FORM COVER SHEET

PATENTS ONLY

To the Honorable Commissioner of Patents and Trademarks:

Please record the attached original document or copy thereof.

1. Name and address of conveying party:

Scan-Optics, Inc.  
169 Progress Drive  
Manchester, Connecticut 06040

A Delaware corporation

2. Name and address of receiving party:

ARK CLO 2000-1, Limited  
c/o Woodside Capital Management LLC  
40 Woodland Street  
Hartford, Connecticut 06105

A Cayman Island limited liability company

3. Nature of conveyance: security agreement

First Supplemental Patent Collateral Assignment and Security Agreement  
(re: Reel/Frame Number 006485/0139)

Execution date: February 28, 2001

4. Application numbers or patent numbers:

A. Patent application numbers:

See Attached Schedule A

B. Patent numbers:

See Attached Schedule B

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

Michelle Walters Fournier, RP  
Senior Paralegal  
Bingham Dana LLP  
One State Street  
Hartford, Connecticut 06103  
(860-240-2935)

6. Total number of applications and patents involved: 4

7. Total fee enclosed: \$160.00

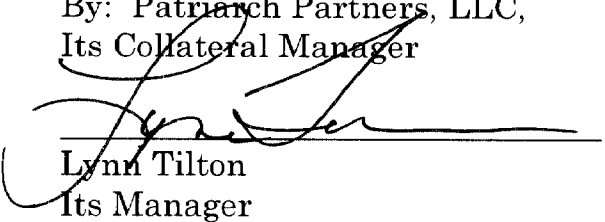
8. Deposit account number: Not applicable

9. 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.

ARK CLO 2000-1, Limited,  
as assignee of FLEET NATIONAL BANK  
formerly known as BANKBOSTON, N.A., as Lender

By: Patriarch Partners, LLC,  
Its Collateral Manager



Lynn Tilton  
Its Manager

Date: April 17, 2001

Total number of pages submitted (including cover sheet and any attached Schedules, and conveyance document and any attached Schedules): 12.

Mail documents to be recorded with required cover sheet information to:

Commissioner of Patents and Trademarks  
Box Assignments  
1213 Jefferson Davis Highway  
Crystal Gateway 4  
Suite 3300  
Arlington, VA 22202

Schedule A

Patent Application Numbers  
(Continuation of Item 4A)

Application No.	Title	Application Date	Jurisdiction
09/264258	Method and Apparatus for Plural Document Detection	March 8, 1999	United States
PCT/US00/05096	Method and Apparatus for Plural Document Detection	February 28, 2000	European Union
0002913	Method and Apparatus for Plural Document Detection	March 7, 2000	France
60/261570	Gray Scale Optical Mark Read	January 12, 2001	United States

Schedule B

Patent Numbers  
(Continuation of Item 4B)

Patent No.	Title	Issue Date	Jurisdiction
5,445,369	Method of and Apparatus for Moving Documents	August 29, 1995	United States
5,850,480	OCR Error Correction Methods and Apparatus Utilizing Contextual Comparison	December 15, 1998	United States

**FIRST SUPPLEMENTAL PATENT  
COLLATERAL ASSIGNMENT AND SECURITY AGREEMENT**

**SCAN-OPTICS, INC.**

This **FIRST SUPPLEMENTAL PATENT COLLATERAL ASSIGNMENT AND SECURITY AGREEMENT** (this "**Agreement**"), dated as of February 28, 2001, is by and between **SCAN-OPTICS, INC.**, a Delaware corporation, having its principal place of business at 169 Progress Drive, Manchester, Connecticut (the "**Assignor**"), and **ARK CLO 2000-1, LIMITED**, as assignee of Fleet National Bank (formerly known as BankBoston, N.A.), having an address of c/o Woodside Capital Management LLC, 40 Woodland Street, Hartford, Connecticut 06105 (the "**Lender**") under a certain Second Amended and Restated Loan Agreement dated as of May 10, 1999 (the "**Original Loan Agreement**") between the Assignor and the Lender, as amended pursuant to a certain Amendment and Waiver Agreement dated as of January 29, 2001 (the "**Amendment and Waiver Agreement**"; and together with the Original Loan Agreement as amended and otherwise in effect from time to time, the "**Loan Agreement**").

**RECITALS**

**WHEREAS**, the Assignor executed and delivered to the Lender certain Security Agreements, each dated as of April 7, 1993 (as the same may have been amended, reaffirmed or confirmed and otherwise in effect from time to time, collectively, the "**Assignor Security Agreement**") pursuant to which the Assignor granted to the Lender a security interest in all of the Assignor's assets, including, without limitation, all patents and patent applications, all to secure the payment and performance of the Obligations (as defined in the Loan Agreement);

**WHEREAS**, in connection with the transactions contemplated by the Assignor Security Agreement, the Assignor and the Lender entered into certain Patent Collateral Assignment and Security Agreements, each dated as of April 7, 1993 (collectively, the "**Assignor Patent Security Agreement**") pursuant to which the Assignor granted to the Lender a security interest in and lien on all of the Assignor's Patent Collateral, as such term is defined in the Assignor Patent Security Agreement;

**WHEREAS**, the Assignor Patent Security Agreement was filed with the United States Patent and Trademark Office (the "**PTO**") by Lender on April 14, 1993 (Reel/Frame Number 006485/0139);

**WHEREAS**, the Assignor acknowledges and agrees that, as a result of the Assignor's failure to comply with certain terms and conditions of the Loan Agreement, certain Events of Default (as that term is defined therein) exist thereunder;

**WHEREAS**, notwithstanding the foregoing, the Assignor has requested and Lender has agreed to waive such Events of Default and amend certain terms and conditions of the Loan Agreement, all in accordance with the terms set forth in the Amendment and Waiver Agreement, *provided* that Assignor, among other things, execute and deliver this Agreement to Lender; and

**WHEREAS**, pursuant to and in fulfillment of the parties' obligations under the Amendment and Waiver Agreement, Assignor Security Agreement and the Assignor Patent Security Agreement and subject to the security interest and lien in favor of the Lender pursuant to the terms thereof, the Assignor wishes to execute and deliver this Agreement to further effect, evidence and memorialize

the Assignor's grant to the Lender of a security interest in those patents and patent applications set forth on Schedule A hereto (such patents and patent applications being collectively referred to herein as the "**Supplemental Patents**"), the Patent rights associated with or related to the Supplemental Patents (the "**Supplemental Patent Rights**"), the Patent license rights associated with or related to the Supplemental Patents (the "**Supplemental Patent License Rights**"), and the proceeds associated with or related to the Supplemental Patents (the "**Supplemental Proceeds**") (the Supplemental Patents, Supplemental Patent Rights, Supplemental Patent License Rights and Supplemental Proceeds are collectively referred to herein as the "**Supplemental Patent Collateral**"), and the Assignor's collateral future assignment to the Lender of the Supplemental Patent Collateral, all as contemplated by the Assignor Patent Security Agreement.

**NOW, THEREFORE**, in consideration of the premises set forth in the Assignor Security Agreement and the Assignor Patent Security Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Assignor and the Lender hereby agree as follows:

**§1. DEFINITIONS.** All capitalized terms used herein without definition, including, without limitation, the term "Obligations", shall have the respective meanings provided therefor in the Loan Agreement, Assignor Security Agreement and the Assignor Patent Security Agreement.

**§2. GRANT OF SECURITY; COLLATERAL ASSIGNMENT.**

**§2.1. Grant of Security Interest; Assignment of Marks.** As collateral security for the complete and timely payment, performance and satisfaction of all Obligations, the Assignor hereby unconditionally grants (and confirms its grant to the Lender pursuant to the Assignor Security Agreement and the Assignor Patent Security Agreement) to the Lender a continuing security interest in and first priority lien on the Supplemental Patent Collateral, and pledges, mortgages and hypothecates (but does not transfer title to) the Supplemental Patent Collateral to the Lender.

**§2.2. Collateral Assignment.**

(a) In addition to, and not by way of limitation of, the grant, pledge, mortgage and hypothecation of the Supplemental Patent Collateral provided and confirmed in Section 2.1 hereof, to secure the complete and timely payment, performance and satisfaction of all Obligations, the Assignor hereby grants, assigns, transfers and conveys to the Lender (and confirms its grant, assignment, transfer and conveyance to the Lender pursuant to the Assignor Patent Security Agreement), by way of collateral security, the Assignor's entire right, title and interest in and to the Supplemental Patent Collateral. The foregoing grant, assignment, transfer and conveyance shall be referred to from time to time herein as the "Section 2.2 Assignment". THE LENDER ASSUMES NO LIABILITY OR RESPONSIBILITY ARISING IN ANY WAY BY REASON OF ITS HOLDING SUCH COLLATERAL SECURITY.

(b) Unless and until there shall have occurred and be continuing an Event of Default and the Lender has notified the Assignor that the license granted hereunder is terminated, the Lender hereby grants to the Assignor the sole and exclusive, non-transferable, royalty-free, worldwide right and license under the Supplemental Patent Collateral to make, have made for it, use, sell and otherwise practice the Supplemental Patents for the Assignor's own benefit and account and for none other, with the right to prosecute and maintain the Patents in the PTO and in foreign countries; provided, however, that the foregoing right and license shall be no greater in scope than, and limited by, the rights assigned to the Lender by the Assignor hereby. The Assignor agrees not to sell, assign, transfer, or sub-license any of its rights or interests in the license granted to the Assignor in this Section 2.2(b) (except pursuant to license or other agreements set forth on Schedule A hereto), without the prior written consent of the Lender, which consent shall not be

unreasonably withheld or delayed; provided, however, that so long as no Event of Default shall have occurred and be continuing, the Assignor may license the Supplemental Patent Collateral in any lawful manner that is in the ordinary course of business and is otherwise not inconsistent with the provisions of this Agreement, the Assignor Patent Security Agreement, the Assignor Security Agreement and the Loan Agreement. Any such sub-licenses granted on or after the date hereof shall be terminable by the Lender upon termination of the Assignor's license hereunder.

**§2.3. Rights and Remedies Upon Default.** If any Event of Default shall have occurred and be continuing, then, with respect to the Supplemental Patent Collateral, the Lender shall have such rights, interests and remedies, and the Assignor shall have such obligations, as are provided in or arise under the Assignor Patent Security Agreement with respect to the Patent Collateral, and all such rights, interests, remedies and obligations are hereby incorporated herein by reference as if set forth in full herein and are hereby ratified, confirmed, adopted and approved.

**§2.4. Supplemental to Certain Agreements.** In no event shall this Agreement, the Section 2.2 Assignment of the Supplemental Patent Collateral hereunder or the recordation of this Agreement (or any document hereunder) with the PTO, adversely affect or impair, in any way or to any extent, the Assignor Security Agreement), the security interest of the Lender in the Collateral (including the Supplemental Patent Collateral) pursuant to the Loan Agreement, the Assignor Security Agreement, the Assignor Patent Security Agreement and/or this Agreement, the attachment and perfection of such security interest under the Uniform Commercial Code, or the present or future rights and interests of the Lender in and to the Collateral under or in connection with the Loan Agreement, the Assignor Security Agreement, the Assignor Patent Security Agreement, this Agreement and/or the Uniform Commercial Code. Any and all rights and interests of the Lender in and to the Supplemental Patent Collateral, (and any and all obligations of the Assignor with respect to the Supplemental Patent Collateral) provided herein, or arising hereunder or in connection herewith, shall only supplement and be cumulative and in addition to the rights and interests of the Lender (and the obligations of the Assignor) in, to or with respect to the Collateral (including the Supplemental Patent Collateral) provided in or arising under or in connection with the Loan Agreement, the Assignor Security Agreement and the Assignor Patent Security Agreement. The Loan Agreement, the Assignor Security Agreement, the Assignor Patent Security Agreement, and all rights and interests of the Lender in and to the Collateral (including the Supplemental Patent Collateral) thereunder, are hereby ratified, confirmed, adopted and approved.

### **§3. REPRESENTATIONS, WARRANTIES AND COVENANTS.**

**§3.1. Schedule A** to the Assignor Patent Security Agreement (the "*Existing Schedule A*"), is hereby amended and supplemented by Schedule A to this Agreement (the "*New Schedule A*"). The Assignor represents and warrants that, together, the Existing Schedule A and the New Schedule A constitute a true and complete list of all Patents.

**§3.2.** The term "Patents", as defined and used in the Assignor Patent Security Agreement, shall include, as of the time of the Assignor's acquisition of any right, title or interest therein or thereto, the Supplemental Patents, the Supplemental Patent License Rights, the Supplemental Patent Rights, the Supplemental Proceeds and the Supplemental Patent Collateral.

**§3.3.** The Assignor represents and warrants that all representations and warranties of the Assignor as set forth in Section 3 of the Assignor Patent Security Agreement, are true and correct in all material respects on and as of the date hereof. All such representations and warranties are hereby ratified, affirmed and incorporated herein by reference, and such representations and warranties are applicable to the Patent Collateral and the Supplemental Patent Collateral with the same force and effect as though set forth herein in their entirety.



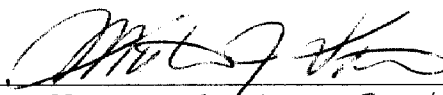
§3.4. All rights, interests, duties, obligations, liabilities, covenants, agreements and remedies of each of the Assignor and the Lender with respect to each other and/or the Patents (including without limitation the Supplemental Patent Collateral) or any portion thereof, as set forth in the Assignor Patent Security Agreement and the Assignor Security Agreement, are hereby ratified, confirmed, adopted, approved and incorporated herein by reference; and such rights, duties, obligations, liabilities, covenants, agreements and remedies are applicable to the parties and the Patents (including without limitation the Supplemental Patent Collateral) with the same force and effect as though set forth herein in their entirety.

**§4. OTHER TERMS AND CONDITIONS OF THE ASSIGNOR PATENT SECURITY AGREEMENT.** This Agreement incorporates by reference all other terms and conditions contained in the Assignor Patent Security Agreement to the extent that such terms and conditions are not inconsistent with the provisions set forth in this Agreement, with the same force and effect as though set forth herein in their entirety.

[Signature page follows]

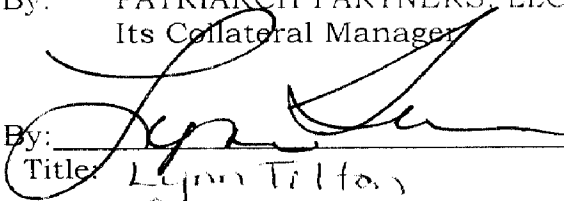
**IN WITNESS WHEREOF**, the Assignor and the Lender, each by its own duly authorized  
have duly executed this Agreement as of the date first set forth above.

**SCAN-OPTICS, INC.**

By:   
Name: Michael J. Villano  
Title: CFO

**ARK CLO 2000-1, LIMITED, as assignee of  
FLEET NATIONAL BANK formerly known as  
BANKBOSTON, N.A, as Lender**

By: PATRIARCH PARTNERS, LLC,  
Its Collateral Manager

By:   
Title: Lynn Tilton  
Manager

STATE OF CONNECTICUT

COUNTY OF Hartford

) ss.:  
)

Before me, the undersigned, this 23<sup>rd</sup> day of March, 2001, personally appeared MICHAEL J. VILLANO, known to me to be the CFO + VP of Scan-Optics, Inc., signer of the foregoing instrument, and that he as such officer, acknowledged the execution of the same to be his free act and deed individually and as such officer, and the free act and deed of said corporation.

Ann Marie Gordon  
Notary Public  
My commission expires: 4/30/05

New York  
STATE OF ~~CONNECTICUT~~

COUNTY OF New York

) ss.: New York  
)

Before me, the undersigned, this 17<sup>th</sup> day of March, 2001, personally appeared Lynn Tilton, known to me to be the an authorized signatory of Patriarch Partners LLC, a ~~Connecticut~~ limited liability company, as collateral manager for and on behalf of ARK CLO 2000-1, Limited, signer of the foregoing instrument, and that he/she as such authorized signatory acknowledged the execution of the same to be his/her free act and deed individually and as such authorized, and the free act and deed of said limited liability company.

Larry G Halperin  
Notary Public, State of New York  
My commission No. 02144336586  
Qualified in New York County  
Commission Expires June 13, 18 2003

## SCHEDULE A

### Patents

Patent No.	Title	Issue Date	Jurisdiction
5,445,369	Method of and Apparatus for Moving Documents	August 29, 1995	United States
5,850,480	OCR Error Correction Methods and Apparatus Utilizing Contextual Comparison	December 15, 1998	United States

Application No.	Title	Application Date	Jurisdiction
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