

07-09-2003

FORM PTO-1595  
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U.S. DEPARTMENT OF COMMERCE  
Patent and Trademark Office

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

<p>1. Name of conveying party(ies): WAGIC I, LLC</p> <p>Additional name(s) of conveying party(ies) attached? [ ] Yes [X] No</p> <p>3. Nature of Conveyance:  <input type="checkbox"/> Assignment                      <input type="checkbox"/> Merger  <input checked="" type="checkbox"/> Security Agreement            <input type="checkbox"/> Change of Name  <input type="checkbox"/> Other:</p> <p>Execution Date: May 16, 2003</p>	<p>2. Name and address of receiving party(ies):</p> <p>Name: COMERICA BANK-CALIFORNIA  Address: 75 E. TRIMBLE ROAD  City: SAN JOSE State: CA Zip: 95131</p> <p>Additional name(s) &amp; address(es) attached? [ ] Yes [x] No</p>		
<p>4. Application number(s) or patent number(s):  If this Document is being filed together with a new application, the execution date of the application is:</p> <table border="0"> <tr> <td data-bbox="121 609 803 693">A. Patent Application No.(s)  10/184,303                      10/218,388</td> <td data-bbox="803 609 1485 693">B. Patent No.(s)</td> </tr> </table> <p>Additional numbers attached? [ ] Yes [X] No</p>		A. Patent Application No.(s)  10/184,303                      10/218,388	B. Patent No.(s)
A. Patent Application No.(s)  10/184,303                      10/218,388	B. Patent No.(s)		
<p>5. Name and address of party to whom correspondence concerning document should be mailed:</p> <p>Name: Erin O'Brien  Internal Address: GRAY CARY WARE &amp; FREIDENRICH  4365 Executive Drive, Suite 1100  San Diego, CA 92121-2133</p>	<p>6. Total number of applications and patents involved: 2</p> <hr/> <p>7. Total fee (37 CFR 3.41) . . . . . \$ 80.00  <input checked="" type="checkbox"/> Enclosed</p> <hr/> <p>8. Deposit account number:  Please debit any underpayment or credit any overpayment to the above deposit account.</p>		

U.S. PATENT & TRADEMARK OFFICE RECORDS  
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FINANCE SECTION

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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.

Erin O'Brien  
Name of Person Signing

*Erin O'Brien*  
Signature

July 1, 2003

Date

Total number of pages comprising cover sheet: [ 9 ]

OMB No. 0651-0011 (exp. 4/94)

Do not detach this portion  
Mail documents to be recorded with required cover sheet information to:  
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## INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Intellectual Property Security Agreement (the "Agreement") is made as of May 16, 2003, by and between WAGIC 1, LLC, a California limited liability company ("Grantor"), and COMERICA BANK-CALIFORNIA ("Secured Party").

### RECITALS

A. Secured Party on the one hand, and WAGIC, INC., a California corporation (Borrower 1) and ALLEN-PAL, LLC, a California limited liability company ("Borrower 2," and together with Borrower 1, "Existing Borrowers"), on the other hand, have entered into that certain Loan and Security Agreement (Accounts and Inventory), dated November 4, 2002. The Loan and Security Agreement (Accounts and Inventory), as modified, amended, supplemented or revised from time to time prior to the date hereof shall be referred to herein as the "Agreement."

B. Secured Party, on the one hand, the Existing Borrowers and Grantor, on the other hand, are entering into that certain First Modification to Loan and Security Agreement and that certain Joinder Agreement, in each case dated as of even date, pursuant to which Grantor shall become an additional Borrower under the Agreement and an additional Borrower, Debtor, Grantor or Pledgor under each other document, instrument or agreement entered into with or in favor of Secured Party in connection with the Agreement (collectively with the Agreement, the First Modification to Loan and Security Agreement and the Joinder Agreement, the "Loan Documents"). All capitalized terms used herein without definition shall have the meanings ascribed to them in the Agreement.

C. In order to induce Secured Party to continue to make loans to Existing Borrower and Grantor under the Agreement and the other Loan Documents, Grantor has agreed to assign certain intangible property to Secured Party for purposes of securing the obligations of the Existing Borrower and Grantor to Secured Party under the Agreement and the other Loan Documents.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Grant of Security Interest. As collateral security for the prompt and complete payment and performance of all present or future indebtedness, obligations and liabilities of Grantor and each Existing Borrower to Secured Party under the Agreement and the other Loan Documents, Grantor hereby grants a security interest and mortgage to Secured Party, as security, in and to Grantor's entire right, title and interest in, to and under the following (all of which shall collectively be called the "Collateral"):

(a) Any and all Grantor's copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held, including without limitation those set forth on Exhibit A attached hereto (collectively, the "Copyrights");

(b) Any and all Grantor's trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;

(c) Any and all Grantor's design rights which may be available to Grantor now or hereafter existing, created, acquired or held;

(d) Any and all Grantor's patents, patent applications and like protections including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, including without limitation the patents and patent applications set forth on Exhibit B attached hereto (collectively, the "Patents");

(e) Any and all Grantor's trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Grantor connected with and symbolized by such trademarks, including without limitation those set forth on Exhibit C attached hereto (collectively, the "Trademarks");

(f) Any and all Grantor's claims for damages by way of past, present and future infringement of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;

(g) Any and all Grantor's licenses or other rights to use any of the Copyrights, Patents or Trademarks, and all license fees and royalties arising from such use to the extent permitted by such license or rights;

(h) Any and all Grantor's amendments, extensions, renewals and extensions of any of the Copyrights, Trademarks or Patents; and

(i) Any and all Grantor's proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

2. Authorization and Request. Grantor authorizes Secured Party to request that the Register of Copyrights and the Commissioner of Patents and Trademarks record this security agreement.

3. Covenants and Warranties. Grantor represents, warrants, covenants and agrees as follows:

(a) Grantor is now the sole owner of the Collateral, except for non-exclusive licenses granted by Grantor to its customers in the ordinary course of business;

(b) Performance of this Agreement does not conflict with or result in a breach of any agreement to which Grantor is party or by which Grantor is bound, except to the extent that certain intellectual property agreements prohibit the assignment of the rights thereunder to a third party without the licensor's or other party's consent, and this Agreement constitutes such an assignment;

(c) During the term of this Agreement, except as may be waived by Secured Party in writing from time to time during the effectiveness of this Agreement, Grantor will not transfer or otherwise encumber any interest in the Collateral, except for non-exclusive licenses granted by Grantor in the ordinary course of business, or as set forth in this Agreement;

(d) Each of the Patents is valid and enforceable, and no part of the Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Collateral violates the rights of any third party;

(e) Grantor shall register or cause to be registered (to the extent not already registered) with the United States Patent and Trademark Office or the United States Copyright Office, as applicable, those intellectual property rights listed on Exhibits A, B and C hereto within thirty (30) days of the date of this Agreement. Grantor shall register or cause to be registered with the United States Patent and Trademark Office or the United States Copyright Office, as applicable, those additional intellectual property rights developed or acquired by Grantor from time to time in connection with any product prior to the sale or licensing of such product to any third party (including without limitation revisions or additions to the intellectual property rights listed on such Exhibits A, B and C);

(f) Grantor shall promptly give Secured Party written notice of any applications or registrations of any additional intellectual property rights filed with the United States Patent and Trademark Office, including the date of such filing and the registration or application numbers, if any;

(g) Grantor shall (i) give Secured Party not less than thirty (30) days prior written notice of the filing of any applications or registrations of any additional intellectual property rights with the United States Copyright Office, including the title of such intellectual property rights to be registered, as such title will appear on such applications or registrations, and the date such applications or registrations will be filed, and (ii) prior to the filing of any such applications or registrations, shall execute such documents as Secured Party may reasonably request for Secured Party to maintain its perfection in such intellectual property rights to be registered by Grantor, and upon the request of Secured Party, shall file such documents simultaneously with the filing of any such applications or registrations. Upon filing any such applications or registrations with the United States Copyright Office, Grantor shall promptly provide Secured Party with (i) a copy of such applications or registrations, without the exhibits, if any, thereto, (ii) evidence of the filing of any documents requested by Secured Party to be filed for Secured Party to maintain the perfection and priority of its security interest in such intellectual property rights, and (iii) the date of such filing.

(h) Grantor shall deliver to Secured Party within thirty (30) days of the last day of each fiscal quarter, a report signed by Grantor, in form reasonably acceptable to Secured Party, listing any applications or registrations that Grantor has made or filed in respect of any patents, copyrights or trademarks and the status of any outstanding applications or registrations. Grantor shall promptly advise Secured Party of any material change in the composition of the Intellectual Property Collateral, including but not limited to any subsequent ownership right of the Grantor in or to any Trademark, Patent or Copyright not specified in Exhibits A, B and C to this Agreement;

(i) Grantor shall promptly execute, deliver or file such additional instruments and documents and take such further actions as Secured Party may reasonably request from time to time to perfect, continue the perfection or maintain the priority of Secured Party's security interest in the Intellectual Property Collateral;

(j) Grantor shall: (i) protect, defend and maintain the validity and enforceability of the Trademarks, Patents and Copyrights; (ii) conduct the ordinary course of its business affairs so as to be reasonably able to detect infringements of the Trademarks, Patents and Copyrights and promptly advise Secured Party in writing of material infringements detected which could have a material adverse effect on its business or affairs; and (iii) not allow any Trademarks, Patents or Copyrights to be abandoned, forfeited or dedicated to the public without the written consent of Secured Party, which shall not be unreasonably withheld, unless Grantor determines that reasonable business practices suggest that abandonment is appropriate;

(k) Secured Party may audit Grantor's Intellectual Property Collateral to confirm compliance with this Section 3, provided such audit may not occur more often than twice per year, unless an Event of Default has occurred and is continuing. Secured Party shall have the right, but not the obligation, to take, at Grantor's sole expense, any actions that Grantor is required under this Section 3 to take but which Grantor fails to take within fifteen (15) days of notice thereof to Grantor. Grantor shall

reimburse and indemnify Secured Party for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this Section 3.

(l) This Agreement creates, and in the case of after acquired Collateral, this Agreement will create at the time Grantor first has rights in such after acquired Collateral, in favor of Secured Party a valid and perfected first priority security interest in the Collateral in the United States securing the payment and performance of the obligations evidenced by the Loan Documents upon making the filings referred to in clause (i) below;

(m) Except for, and upon, the filing with the United States Patent and Trademark office with respect to the Patents and Trademarks and the Register of Copyrights with respect to the Copyrights necessary to perfect the security interests created hereunder, and, except as has been already made or obtained, no authorization, approval or other action by, and no notice to or filing with, any U.S. governmental authority or U.S. regulatory body is required either (i) for the grant by Grantor of the security interest granted hereby or for the execution, delivery or performance of this Agreement by Grantor in the U.S. or (ii) for the perfection in the United States or the exercise by Secured Party of its rights and remedies hereunder;

(n) All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Grantor with respect to the Collateral is accurate and complete in all material respects;

(o) Grantor shall not enter into any agreement that would materially impair or conflict with Grantor's obligations hereunder without Secured Party's prior written consent, which consent shall not be unreasonably withheld. Grantor shall not permit the inclusion in any material contract to which it becomes a party of any provisions that could or might in any way prevent the creation of a security interest in Grantor's rights and interests in any property included within the definition of the Collateral acquired under such contracts, except that certain contracts may contain anti-assignment provisions that could in effect prohibit the creation of a security interest in such contracts if Grantor is required, in its commercially reasonable judgment to accept such provisions; and

(p) Upon any executive officer of Grantor obtaining knowledge thereof, Grantor will promptly notify Secured Party in writing of any event that materially adversely affects the value of any of the Collateral, the ability of Grantor to dispose of any Collateral or the rights and remedies of Secured Party in relation thereto, including the levy of any legal process against any of the Collateral.

4. Secured Party's Rights. Secured Party shall have the right, but not the obligation, to take, at Grantor's sole expense, any actions that Grantor is required under this Agreement to take but which Grantor fails to take, after fifteen (15) days' notice to Grantor. Grantor shall reimburse and indemnify Secured Party for all reasonable costs and expenses incurred in the reasonable exercise of its rights under this Section 4.

5. Inspection Rights. Grantor hereby grants to Secured Party and its employees, representatives and agents the right to visit, during reasonable hours upon prior reasonable written notice to Grantor, any of Grantor's plants and facilities that manufacture, install or store products (or that have done so during the prior six-month period) that are sold utilizing any of the Collateral subject to Secured Party's security interest therein, and to inspect the products and quality control records relating thereto upon reasonable notice to Grantor and as often as may be reasonably requested.

6. Further Assurances; Attorney in Fact.

(a) On a continuing basis, Grantor will make, execute, acknowledge and deliver, and file and record in the proper filing and recording places in the United States, all such instruments, including, appropriate financing and continuation statements and collateral agreements and filings with the United States Patent and Trademark Office and the Register of Copyrights, and take all such action as may reasonably be deemed necessary or advisable, or as requested by Secured Party, to perfect Secured Party's security interest in all Copyrights, Patents and Trademarks and otherwise to carry out the intent and purposes of this Agreement, or for assuring and confirming to Secured Party the grant or perfection of a security interest in all Collateral.

(b) Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, from time to time in Secured Party's discretion, to take any action and to execute any instrument which Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including:

(i) To modify, in its sole discretion, this Agreement without first obtaining Grantor's approval of or signature to such modification by amending Exhibit A, Exhibit B and Exhibit C, hereof, as appropriate, to include reference to any right, title or interest in any Copyrights, Patents or Trademarks acquired by Grantor after the execution hereof or to delete any reference to any right, title or interest in any Copyrights, Patents or Trademarks in which Grantor no longer has or claims any right, title or interest;

(ii) To file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Grantor where permitted by law; and

(iii) After the occurrence of an Event of Default, to transfer the Collateral into the name of Secured Party or a third party to the extent permitted under the California Uniform Commercial Code.

7. Events of Default. The occurrence of any of the following shall constitute an Event of Default under this Agreement:

(a) An Event of Default occurs under the Loan Documents; or

(b) Grantor breaches any warranty or agreement made by Grantor in this Agreement and, as to any breach that is capable of cure, Grantor fails to diligently undertake and pursue reasonable efforts to cure such breach within five (5) days of the occurrence of such breach.

8. Remedies. Upon the occurrence of an Event of Default, Secured Party shall have the right to exercise all the remedies of a secured party under the California Uniform Commercial Code, including without limitation the right to require Grantor to assemble the Collateral and any tangible property in which Secured Party has a security interest and to make it available to Secured Party at a place designated by Secured Party. Upon the occurrence of an Event of Default, Secured Party shall have a nonexclusive, royalty free license to use the Copyrights, Patents and Trademarks to the extent reasonably necessary to permit Secured Party to exercise its rights and remedies with respect to any goods or other property pledged to Secured Party as collateral for any present or future indebtedness or other obligations containing or embodying some or all of the Collateral. Grantor will pay any expenses (including attorneys' fees) incurred by Secured Party in connection with the exercise of any of Secured Party's rights hereunder, including without limitation any expense incurred in disposing of the Collateral. All of Secured Party's rights and remedies with respect to the Collateral shall be cumulative.

9. Indemnity. Grantor agrees to defend, indemnify and hold harmless Secured Party and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Agreement, and (b) all losses or expenses in any way suffered, incurred, or paid by Secured Party as a result of or in any way arising out of, following or consequential to transactions between Secured Party and Grantor, whether under this Agreement or otherwise (including without limitation attorneys fees and expenses), except for losses arising from or out of Secured Party's gross negligence or willful misconduct.

10. Course of Dealing. No course of dealing, nor any failure to exercise, nor any delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

11. Attorneys Fees. If any action relating to this Agreement is brought by either party hereto against the other party, the prevailing party shall be entitled to recover reasonable attorneys fees, costs and disbursements.

12. Amendments. This Agreement may be amended only by a written instrument signed by all parties hereto.

13. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute the same instrument.

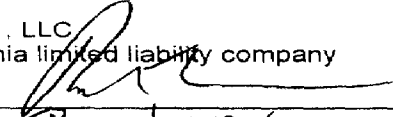
14. California Law and Jurisdiction; Jury Waiver. This Agreement shall be governed by the laws of the State of California, without regard for choice of law provisions. Grantor and Secured Party consent to the exclusive jurisdiction of any state or federal court located in Santa Clara County, California. GRANTOR AND SECURED PARTY EACH WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THE LOAN DOCUMENTS, THIS AGREEMENT, OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS.

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

Address of Grantor:  
16780 Lark Avenue  
Los Gatos, CA 95032

GRANTOR:

WAGIC 1, LLC  
a California limited liability company

By:   
Name: Paul J. Catena  
Its: Chairman + CEO

By: Paul J. Catena  
Name: PAUL J. CATENA  
Its: Vice President, Finance

Address of Secured Party:  
75 East Trimble Road  
San Jose, California 95131

SECURED PARTY:

COMERICA BANK-CALIFORNIA,  
a California banking corporation

By:   
Name: Mark Leyva  
Title: Vice President



(a) List of Copyrights

None

## EXHIBIT B

## (b) List of Patents

<u>Serial Number</u>	<u>Filing Date</u>	<u>Title</u>
10/184,303	6/26/2002	Multi-Tasking Utility Tool
10/218,388	8/12/2002	Multi-Tasking Utility Tool
PCT/US02/25753	8/13/2002	Multi-Tasking Utility Tool
91124419	10/22/2002	Multi-Tasking Utility Tool



(c) List of Trademarks

None