

Form PTO-1595 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005)		RECORDATION FORM COVER SHEET <b>PATENTS ONLY</b>		U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office	
Tab settings ⇨ ⇨ ⇨ ▼ ▼ ▼ ▼ ▼ ▼ ▼					
To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.					
1. Name of conveying party(ies):  Peach State Labs, Inc. P. O. Box 5424 Rome, Georgia 30162-5424  Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			2. Name and address of receiving party(ies)  Name: <u>Citizens First Bank</u>  Internal Address: <u>P. O. Box 1313</u> <u>Rome, Georgia 30162</u>    Street Address: <u>701 Broad Street</u>    City: <u>Rome</u> State: <u>GA</u> Zip: <u>30161</u>  Additional name(s) & address(es) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
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 _____  Execution Date: <u>6/30/2004</u>					
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: _____  A. Patent Application No.(s) _____ B. Patent No.(s) _____  <u>6,524,492</u>  Additional numbers attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
5. Name and address of party to whom correspondence concerning document should be mailed:  Name: <u>David Sweat</u>  Internal Address: <u>Citizens First Bank</u> <u>P. O. Box 1313</u> <u>Rome, Georgia 30162</u>  Street Address: <u>701 Broad Street</u>    City: <u>Rome</u> State: <u>GA</u> Zip: <u>30161</u>			6. Total number of applications and patents involved: <input checked="" type="checkbox"/>  7. Total fee (37 CFR 3.41).....\$ <u>40.00</u>  <input checked="" type="checkbox"/> Enclosed  <input type="checkbox"/> Authorized to be charged to deposit account  8. Deposit account number: _____  (Attach duplicate copy of this page if paying by deposit account)		
DO NOT USE THIS SPACE					
9. Statement and signature.  <i>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.</i>  <u>Angela M. Hicks</u> _____ <u>Angela M. Hicks</u> _____ <u>6/30/01</u> Name of Person Signing Signature Date  Total number of pages including cover sheet, attachments, and documents: <u>14</u>					

Mail documents to be recorded with required cover sheet information to:  
Commissioner of Patents & Trademarks, Box Assignments  
Washington, D.C. 20231

OP \$40.00 6624492

**PATENT COLLATERAL ASSIGNMENT AND SECURITY AGREEMENT**

**THIS PATENT COLLATERAL ASSIGNMENT AND SECURITY AGREEMENT** dated as of June 30, 2004 executed and delivered by PEACH STATE LABS, INC., a Georgia corporation (the 'Borrower') in favor of CITIZENS FIRST BANK, a Georgia banking corporation, with a mailing address of P. O. Box 1313, Rome, Georgia 30162 (the "Secured Party") pursuant to that certain Loan and Line of Credit Agreement of even date herewith (the "Loan Agreement") by and between the Borrower and the Secured Party.

WHEREAS, the Secured Party proposes to extend certain financial accommodations to or on account of the Borrower;

WHEREAS, to secure the obligations of the Borrower under such financial accommodations extended to the Borrower, the Borrower desires to collaterally assign, and grant a security interest in, certain letter patents, patents, patent applications and other rights associated therewith; and

WHEREAS, it is a condition precedent to the Secured Party's extension of such financial accommodations that the Borrower execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the above premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower hereby agrees as follows:

Section 1. Security Interest In Patent Collateral. (a) To secure the prompt and complete payment, observance and performance of all of the Secured Obligations (as defined in paragraph (b) below), the Borrower hereby collaterally assigns to the Secured Party, and grants to the Secured Party, a continuing security interest in, with power of sale to the extent permitted by applicable law, and lien upon all of the Borrower's now owned or hereafter acquired or arising or to which a right of ownership is owed by law:

(i) letter patents, registered patents and patent applications, including without limitation, the registered letter patents, patents and patent applications listed on Schedule I attached hereto and made a part hereof, and (1) all renewals, divisions, reissues, continuations, continuations-in-part, improvements, foreign counterparts and proceeds thereof, (2) all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including without limitation, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (3) the right to sue for past, present and future infringements and dilutions thereof, and (4) all of the Borrower's rights corresponding thereto throughout the world (all of the foregoing collectively referred to as the "Patents"); and

(ii) the goodwill of the Borrower's business connected with and symbolized by the Patent Collateral; and

(iii) all books and records relating to any of the foregoing and all products and proceeds relating to any of the foregoing (all of the foregoing described in (i) - (iii) above hereinafter collectively referred to as the "Patent Collateral").

(b) Secured Obligations. As used herein, the term "Secured Obligations" shall mean the "Obligations" as said term is defined in the Loan Agreement, as the same may be supplemented, amended or modified from time to time. Further, terms used herein and not defined herein have their respective defined meanings as set forth in the Loan Agreement.

(c) License to Use Patent. During the term of this Agreement and subject to the terms of this Agreement, the Secured Party hereby grants to the Borrower an exclusive, license to use the Patent Collateral in the ordinary course of the business of the Borrower in a manner consistent with past practice. However, upon the occurrence of an Event of Default (as defined below), the license granted by the Secured Party to the Borrower to use the Patent Collateral pursuant to this paragraph (c) shall immediately and automatically terminate without notice and the Borrower shall have no right to use the Patent Collateral without the prior written consent of the Secured Party.

(d) First Priority Lien. It is the intent of the Borrower that this Agreement create a valid first priority security interest in, and collateral assignment of, the Patent Collateral. If during the term of this Agreement Borrower shall obtain rights to any new patentable inventions, or becomes entitled to the benefit of any patent application or patent for any reissue, division, continuation, renewal, extension or continuation-in-part of any Patent or any improvement on any Patent, the provisions of this Section 1 shall automatically apply thereto and Borrower shall give Secured Party prompt notice thereof in writing. Borrower hereby authorizes Secured Party to modify this Agreement by amending Schedule 1 to include any future patents and patent applications of Borrower.

Section 2. Restrictions on Future Agreements. The Borrower shall not, without the Secured Party's prior written consent, enter into any agreement, including, without limitation, any license or royalty agreement, which purports to transfer or assign any interest in the Patent Collateral to any other person without the prior written consent of Secured Party. Further, the Borrower shall not, without the Secured Party's prior written consent (which may be withheld in its sole and absolute discretion), grant to any Person any exclusive license or exclusive right to use or enjoy any Patent Collateral. The Borrower will not take any action or fail to take any action, and will use its best efforts to prevent any action by other persons subject to its control which would adversely affect the validity or enforceability of the rights transferred to the Secured Party under this Agreement or the rights associated with any of the Patent Collateral.

Section 3. New Patent Collateral. The Borrower represents and warrants that Schedule I sets forth all of the patents and patent applications of the Borrower. If, prior to the termination of this Agreement, the Borrower shall obtain rights to any new or other patent and patent applications (or other Patent Collateral associated therewith), the Borrower shall promptly so notify the Secured Party in writing. Upon such occurrence, the Borrower shall, at the request of the Secured Party, execute and deliver any and all agreements, instruments, documents, and papers as the Secured Party may request to evidence Secured Party's interest in such new, additional Patent Collateral and general intangibles of the Borrower relating thereto or represented thereby, and the Borrower hereby appoints the Secured Party its attorney-in-fact to execute and file on behalf of the Borrower all such writings for the foregoing purposes. All such acts of the Secured Party are hereby ratified and confirmed; such power of attorney being coupled with an interest and is irrevocable until the Secured Obligations are indefeasibly paid in full and the Loan Documents have terminated. In this connection, the Borrower hereby authorizes the Secured Party to unilaterally file a new patent security agreement containing the same terms and conditions as this Agreement to include such new or other Patent Collateral on Schedule I.

Section 4. Representations. The Borrower represents and warrants to and covenants with the Secured Party that:

(a) No patents, letter patents or patent applications constituting part of the Patent Collateral has been adjudged invalid or unenforceable in whole or in part;

(b) The Patent Collateral is valid and enforceable and no claim has been made that the use of any of the Patent Collateral infringes upon the rights of any person;

(c) The Borrower is the sole and exclusive owner of the entire and unencumbered right, title, and interest in and to all of the Patent Collateral, free and clear of any liens; and

(d) Borrower has the unqualified right to enter into this Agreement and perform its terms and, to the extent it deems reasonably necessary, has entered and will enter into written agreements with each of its present and future employees, agents and consultants which will enable it to comply with the covenants herein contained; and

(e) Borrower has used, and will continue to use for the duration of this Agreement, proper statutory notice in connection with its use of the Patents and has made, and will continue to make, all appropriate filings with the United States Patent and Trademark Office and all applicable foreign government offices to maintain the Patents in existence, including, without limitation, filing all necessary documents with the United States Patent and Trademark Office and all applicable foreign government offices for each patent to maintain it without loss of protection therefor; and

(f) No currently existing licensing arrangements with respect to any of the Patents prohibits the Borrower from granting a security interest in the Patent Collateral.

Section 5. Royalties. The Secured Party's interest in the Patent Collateral as granted and authorized by the Borrower hereunder shall be coextensive with the Borrower's interest in the Patent Collateral and shall not create any liability for the payment of royalties or other charges from the Secured Party to the Borrower.

Section 6. Right to Inspect: Further Assignments and Security Interests. The Secured Party shall have the right, at any reasonable time and from time to time, to inspect the Borrower's premises and to examine the Borrower's books, records and operations relating to the Patent Collateral; provided, however, that in conducting such inspections and examinations, the Secured Party shall use its best efforts to keep all information relating to any Patent Collateral gleaned in any such inspection or examination confidential and shall not divulge any such information to any Person other than the Secured Party or their officers, directors, employees, professional consultants and other designated agents; provided, further, that (A) the Secured Party may disclose any such confidential information as required by applicable law or (B) subject to any bona fide written confidentiality agreement with any Person not an Affiliate of the Borrower to which the Borrower is a party (whether now in existence or hereinafter entered into by the Borrower in the ordinary course of its business), the Secured Party may disclose any such confidential information to any Person in connection with the sale, license or transfer of any Patent Collateral by the Secured Party after the occurrence and during the continuance of an Event of Default. After the occurrence and during the continuance of an Event of Default, the Borrower agrees that the Secured Party, shall have the right to take any and all actions to preserve the Patent Collateral and any and all infringements thereon. The obligation of the Secured Party to keep such information confidential as provided herein shall survive the termination of this Agreement.

**Section 7. Termination of the Secured Party's Collateral Assignment and Security Interest.**

This Agreement is made for collateral security purposes only. Upon the indefeasible payment in full of all of the Secured Obligations and termination of all financing arrangements between the Secured Party and the Borrower, this Agreement shall terminate and the Secured Party shall promptly execute and deliver, without recourse or warranty, to the Borrower, at the Borrower's expense, all termination statements, releases and other instruments as may be necessary or proper to terminate the security interest in, and collateral assignment to the Secured Party of, the Patent Collateral.

**Section 8. Additional Obligations of the Borrower.** (a) The Borrower shall take all reasonable and necessary action to preserve and maintain all of the Borrower's rights in the Patent Collateral, including, without limitation, making timely filings with the United States Patent and Trademark Office for renewals and extensions and diligently monitoring unauthorized use thereof and paying annuities and otherwise maintaining foreign counterparts with respective foreign patent offices. Any expenses incurred in connection with the foregoing shall be borne by the Borrower.

(b) The Borrower shall notify the Secured Party promptly if the Borrower knows, or has reason to know, that any application or registration relating to any Patent Collateral may become abandoned or dedicated, or of any material 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, any foreign patent office, or any court) regarding the Borrower's ownership of or the Secured Party's interest in, any Patent Collateral, its right to register the same, or its right to keep and maintain the same.

(c) The Borrower shall consult with the Secured Party regarding the registration of any European Patent issued from a European Patent Office application No. EP1360365 with the designated participating countries, providing reasonable written notice of which EPO member countries in which it has selected to register the EPO patent to enable the Secured Party to record or otherwise protect its interests in any such member country selected for registration.

(d) The Borrower will, after notice to and approval by the Secured Party, by or through counsel reasonably acceptable to the Secured Party, take or cause to be taken all necessary steps and actions, including, without limitation, in any proceeding before the United States Patent and Trademark Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain the Patent Collateral, including, without limitation, filing of applications for renewal and payment of maintenance fees.

(e) If any of the Patent Collateral is infringed by a third party, the Borrower shall notify the Secured Party promptly after the Borrower learns thereof. At the Secured Party's request, the Borrower shall promptly bring any legitimate claim for infringement and for recovery of any and all damages for such infringement (with counsel reasonably acceptable to the Secured Party if counsel is necessary), or take such other actions as shall be appropriate under the circumstances to protect such Patent Collateral.

**Section 9. The Secured Party's Right to Sue.** After the occurrence and during the continuance of an Event of Default, the Secured Party shall have the right, but not the obligation, to bring suit in its own name to enforce any rights pertaining to the Patent Collateral and, if the Secured Party shall commence any such suit, the Borrower shall, at the request of the Secured Party, cooperate fully to the extent requested by the Secured Party in and of such enforcement. The Borrower shall, upon demand, promptly reimburse the Secured Party for all reasonable costs and expenses incurred by the Secured Party in the exercise of such enforcement (including, without limitation, the reasonable fees and expenses of attorneys, paralegals, accountants, and other experts).

**PATENT**

**REEL: 014805 FRAME: 0985**

**Section 10. The Secured Party's Exercise of Rights and Remedies upon an Event of Default.**

Notwithstanding anything set forth herein to the contrary, it is hereby expressly agreed that, upon the occurrence and during the continuance of an Event of Default, the Secured Party may exercise any of the rights and remedies provided in this Agreement and in any of the Loan Documents, all rights and remedies under applicable law, and all rights and remedies of a secured party under the Uniform Commercial Code. Without limiting the generality of the foregoing, Secured Party may immediately, without demand of performance and without other notice (except as described in the next sentence, if required by applicable law), or demand whatsoever to the Borrower, each of which Borrower hereby expressly waives, and without advertisement (except as required by applicable law), collect directly any payments due Borrower in respect of the Patent Collateral, or sell at public or private sale or otherwise realize upon the whole or from time to time any of the Patent Collateral or any interest which Borrower may have therein. Borrower hereby agrees that seven (7) days notice to Borrower of any public or private sale or other disposition of any of the Patent Collateral shall be reasonable notice; provided, however, that no notice shall be required hereunder if not otherwise required under applicable law. At any such sale or disposition, Secured Party may, to the extent permitted by applicable law, purchase the whole or any part of the Patent Collateral sold, free from any right of redemption on the part of Borrower, which right Borrower hereby waives and releases. After deducting from the proceeds of such sale or other disposition of Patent Collateral all cost and expenses incurred by Secured Party in enforcing its rights hereunder (including, without limitation, all attorney's fees), Secured Party shall apply the remainder of such proceeds to the payment of the Secured Obligations in such order of application determined by Secured Party in its discretion. Any remainder of the proceeds after payment in full of the Secured Obligations shall be paid over to Borrower. If any deficiency shall arise, Borrower and each guarantor of the Secured Obligations shall remain jointly and severally liable to Secured Party therefor. As used herein, the term "Event of Default" shall mean the occurrence of any one or more of the following:

- (i) the occurrence of an Event of Default under the Loan Agreement or any of the other Loan Documents; or
- (ii) failure of Borrower to comply with, perform, keep and observe each of the terms, covenants and agreements contained in this Agreement; or
- (iii) any representation or warranty of Borrower in this Agreement proves to be false or materially misleading.

**Section 11. Severability.** The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part hereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

**Section 12. Cumulative Remedies; Power of Attorney.** All of the Secured Party's rights and remedies with respect to the Patent Collateral, whether established hereby, by any other agreements or by applicable law, shall be cumulative and may be exercised singularly or concurrently. The Borrower hereby appoints the Secured Party and all Persons designated by the Secured Party, in its sole and absolute discretion, as the Borrower's attorney-in-fact, with full authority in the place and stead of the Borrower and in the name of the Borrower or otherwise, from time to time after the occurrence and during the continuance of an Event of Default, in the Secured Party's discretion, to take any action and to execute any instrument which the Secured Party may reasonably deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation, (a) endorsement of the Borrower's name on all applications, documents, papers and instruments related to the Patent Collateral, (b) the grant or issuance of

any exclusive or non-exclusive license under any of the Patent Collateral or (c) the assignment, pledge, conveyance or other disposition of any of the Patent Collateral. This power of attorney being coupled with an interest, shall be irrevocable for the term of this Agreement and thereafter until all of the Secured Obligations shall have been indefeasibly paid in full and all financing arrangements between, the Secured Party and the Borrower shall have been terminated. The Borrower acknowledges and agrees that this Agreement is not intended to limit or restrict in any way the rights and remedies of the Secured Party under the Loan Documents, but rather is intended to facilitate the exercise of such rights and remedies. The Secured Party shall have, in addition to all other rights and remedies given them by the terms of this Agreement, all rights and remedies allowed by applicable law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which any of the Patent Collateral may be located or deemed located.

Section 13. Binding Effect; Benefits. This Agreement shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit of the Secured Party and its successors and assigns. The Borrower's successors and assigns shall include, without limitation, a receiver, trustee or debtor-in-possession of or for the Borrower. The Borrower shall not voluntarily assign its obligations hereunder.

Section 14. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF GEORGIA (WITHOUT REFERENCE TO ITS PRINCIPLES OF CONFLICT OF LAWS).

Section 15. Notices. Unless otherwise provided herein, communications provided for hereunder shall be in writing and shall be mailed or delivered, if to the Borrower at the following address: Peach State Labs, Inc., 504 Cooper Drive, Rome, Georgia 30161; Attn: President, and if to Secured Party, at the following address: Citizens First Bank, Attention: Senior Vice President, 701 Broad Street, Rome, Georgia 30161, or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and other communications shall be effective (i) if mailed, when received or three business days after mailing, whichever is earlier; or (ii) if hand delivered, when delivered.

Section 16. The Secured Party's Duty. The Secured Party shall not be liable for any acts, omissions, errors of judgment or mistakes of fact or law with respect to the Patent Collateral except for those arising out of or in connection with the Secured Party's gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Secured Party shall be under no obligation to take any action necessary to preserve rights in the Patent Collateral against any other persons but may do so at its option, and all expenses incurred in connection therewith shall be for the sole account of the Borrower and shall be added to the Secured Obligations secured hereby.

Section 17. Waiver of Notice and Bond. THE BORROWER WAIVES (a) ANY NOTICE PRIOR TO THE TAKING OF POSSESSION OR CONTROL OF ANY OF THE TRADEMARK COLLATERAL OR ANY POSTING OF ANY BOND OR SECURITY WHICH MIGHT BE REQUIRED BY ANY COURT PRIOR TO ALLOWING THE SECURED PARTY TO EXERCISE ANY OF THE SECURED PARTY'S REMEDIES SET FORTH HEREIN, INCLUDING THE ISSUANCE OF AN IMMEDIATE WRIT OF POSSESSION AND (b) THE BENEFIT OF ALL LAWS REQUIRING A VALUATION OR APPRAISAL OF ANY PATENT COLLATERAL BEFORE THE SECURED PARTY MAY EXERCISE ANY RIGHTS OR REMEDIES AGAINST THE PATENT COLLATERAL OR BEFORE SUCH EXERCISE SHALL BE DEEMED TO BE REASONABLE AND ALL LAWS WHICH EXEMPT PROPERTY FROM THE DEFINITION OF PATENT COLLATERAL OR FROM THE EXERCISE BY THE SECURED PARTY OF ITS RIGHTS AND REMEDIES HEREUNDER.

Section 18. Waivers. No course of dealing between the Borrower and the Secured Party, and no failure or delay on the part of the Secured Party to exercise any right, power or privilege hereunder, under the Loan Agreement or any other related document shall operate as a waiver of any of the Secured Party's rights, powers or privileges. No single or partial exercise of any right, power or privilege hereunder, under the Loan Agreement or under any other document shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 19. Modification. This Agreement cannot be altered, amended or modified in any way, except as specifically provided in Sections 1 and 3 hereof or by a writing signed by the parties hereto.

Section 20. Section Headings. The section headings herein are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions hereof

Section 21. Defined Terms. Terms used herein and not defined herein have their respective defined meanings as set forth in the Loan Agreement.



IN WITNESS WHEREOF, the Borrower has duly executed and delivered this Patent Collateral Assignment and Security Agreement under seal as of the date and year first written above.

PEACH STATE LABS, INC., a Georgia corporation

By: *Richard B. Sargent*

Name: Richard B. Sargent

Title: President

Attest: *Michael S. Williams*

Name: Michael S. Williams

Title: Secretary + COO

(CORPORATE SEAL)

ACCEPTED AND AGREED TO THIS 30<sup>TH</sup>  
DAY OF JUNE, 2004 BY:

CITIZENS FIRST BANK, a Georgia banking corporation

By: *Roger F. Smith, President*

Name: ROGER F. SMITH

Title: PRESIDENT & CEO

STATE OF GEORGIA )

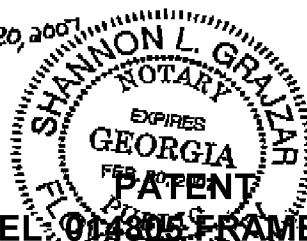
COUNTY OF Floyd )

SS

The foregoing Patent Collateral Assignment and Security Agreement was executed and acknowledged before me as of June 30, 2004, by Richard B. Sargent and Michael S. Williams, personally known to me to be the President and Secretary, respectively, of Peach State Labs, Inc. on behalf of such corporation.

*Shannon L. Grajcar*  
Notary Public

My Commission Expires: Feb. 20, 2007  
(NOTARIAL SEAL)



REEL 014805 FRAME: 0989

SCHEDULE I

PATENT COLLATERAL

Patent	Registration or Application #	Registration or Filing Date
U.S. Patent No. 6,524,492	09/751,706	Issued February 25, 2003
N/A	PCT/US01/49252	Filed December 18, 2001
N/A	EP1360365	Filed December 18, 2001

**SCHEDULE II**

**INSE AGREEMENTS/OTHER DEFECTS IN TITLE**