

PATENT ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
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NATURE OF CONVEYANCE:	SECURITY AGREEMENT
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CONVEYING PARTY DATA	
Name	Execution Date
Electronic Paper Solutions, Inc.	11/01/2002

RECEIVING PARTY DATA	
Name:	Ames Safety Envelope Company
Street Address:	21 Properzi Way
City:	Somerville
State/Country:	MASSACHUSETTS
Postal Code:	02143

PROPERTY NUMBERS Total: 1	
Property Type	Number
Patent Number:	6260049

CORRESPONDENCE DATA	
Fax Number:	(617)345-1300
<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>	
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Correspondent Name:	David S. Resnick
Address Line 1:	Nixon Peabody LLP
Address Line 4:	100 Summer Street, MASSACHUSETTS 02110

NAME OF SUBMITTER:	Linda M. Ginsberg
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SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of November 1, 2002, between ELECTRONIC PAPER SOLUTIONS, INC., a Massachusetts Corporation (the "Borrower"), and AMES SAFETY ENVELOPE COMPANY, a Massachusetts corporation (hereinafter, the "Lender").

WHEREAS, the Borrower and Lender have entered into an Agreement, dated as of the date hereof (as amended and in effect from time to time, the "Agreement"), pursuant to which the Borrower, subject to the term and conditions contained therein, has granted an exclusive license of the SmartPurge Software to Lender, and Lender has advanced funds to Lender evidenced by a Promissory Note from Lender; and

WHEREAS, the Borrower's payment obligations in said Promissory Note is to be secured by a security agreement in substantially the form hereof, and

WHEREAS, the Borrower wishes to grant security interests in favor of the Lender as herein provided;

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

§1. Definitions. All capitalized terms used herein without definitions shall have the respective meanings provided therefor in the Agreement. The term "*Obligations*", as used herein, means all of the indebtedness, obligations and liabilities of the Borrower to the Lender, individually or collectively, whether direct or indirect, joint or several, absolute or contingent, due or to become due, now existing or hereafter arising, under or in respect of the Promissory Note or this Security Agreement; the term "*Business Day*" means any day on which banking institutions in Boston, Massachusetts are open for the transaction of banking business; and the term "*Event of Default*", as used herein, means the failure of the Borrower to pay or perform any of the Obligations as and when due to be paid or performed under the terms of the Promissory Note or this Security Agreement.

§2. Grant of Security Interest. The Borrower hereby grants to the Lender, to secure the payment and performance in full of all of the Obligations, a security interest in and so pledges and assigns to the Lender the following properties, assets and rights of the Borrower, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "*Collateral*"):

All right, title, and interest of every kind and nature in the SmartPurge Software (as defined in the Agreement), including but not limited to enhancements and upgrades to such software system, products derived therefrom, any documentation related thereto, the Source Code for each version of said software, all materials held in escrow or

required to be held in escrow for the benefit of the Lender pursuant to the Agreement, and all patents for such software owned or assigned to the Borrower.

All right, title, and interest to accounts receivable owed to the Borrower under the Agreement including license fees and minimum quarterly payments under Section 2 of the Agreement, sales commissions under Section 3 of the Agreement, and percentage payments under Section 11 of the Agreement.

§3. Title to Collateral, etc. The Borrower is the owner of the Collateral free from any adverse lien, security interest or other encumbrance.

§4. Continuous Perfection. The Borrower's place of business, 203 Pine Brook Drive, Peabody, MA 01960. The Borrower will not change the same, or the name, identity or corporate structure of the Borrower in any manner, without providing at least 30 days' prior written notice to the Lender.

§5. No Liens. Except for the security interest herein granted and liens listed on *Schedule 1* attached hereto (collectively, "*Permitted Encumbrances*"), the Borrower shall be the owner of the Collateral free from any lien, security interest or other encumbrance, and the Borrower shall defend the same against all claims and demands of all persons at any time claiming the same or any interests therein adverse to the Lender. The Borrower shall not pledge, mortgage or create, or suffer to exist a security interest in the Collateral in favor of any person other than the Lender except for Permitted Encumbrances.

§6. No Transfers. The Borrower will not sell or offer to sell or otherwise transfer the Collateral or any interest therein.

§7. Insurance. The Borrower will maintain with financially sound and reputable insurers insurance with respect to its properties and business against such casualties and contingencies as shall be in accordance with general practices of businesses engaged in similar activities in similar geographic areas. Such insurance shall be in such minimum amounts that the Borrower will not be deemed a co-insurer under applicable insurance laws, regulations and policies and otherwise shall be in such amounts, contain such terms, be in such forms and be for such periods as may be reasonably satisfactory to the Lender. In addition, all such insurance shall be payable to the Lender as loss payee. All policies of insurance shall provide for at least 30 days' prior written cancellation notice to the Lender. In the event of failure by the Borrower to provide and maintain insurance as herein provided, the Lender may, at its option, provide such insurance and charge the amount thereof to the Borrower. The Borrower shall furnish the Lender with certificates of insurance and policies evidencing compliance with the foregoing insurance provision.

§8. Maintenance of Collateral: Compliance with Law. The Borrower will keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon. The Lender, or its designee, may inspect the Collateral at any reasonable time, wherever located. The Borrower will pay promptly when due all taxes, assessments, governmental charges and levies upon the Collateral or incurred in connection with the use or operation of such Collateral or incurred in connection with this Agreement.

The Borrower has at all times operated, and the Borrower will continue to operate, its business in compliance with all applicable provisions of the federal Fair Labor Standards Act, as amended.

§9. Collateral Protection Expenses: Preservation of Collateral.

(a) In its discretion, the Lender may discharge taxes and other encumbrances at any time levied or placed on any of the Collateral, make repairs thereto and pay any necessary filing fees. The Borrower agrees to reimburse the Lender on demand for any and all expenditures so made. The Lender shall have no obligation to the Borrower to make any such expenditures, nor shall the making thereof relieve the Borrower of any default.

(b) Anything herein to the contrary notwithstanding, the Borrower shall remain liable under each contract or agreement comprising the Collateral to be observed or performed by the Borrower thereunder. The Lender shall not have any obligation or liability under any such contract or agreement by reason of or arising out of this Security Agreement or the receipt by the Lender of any payment relating to any of the Collateral, nor shall the Lender be obligated in any manner to perform any of the obligations of the Borrower under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Lender in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts that may have

been assigned to the Lender or to which the Lender may be entitled at any time or times. The Lender's sole duty with respect to the custody, safe keeping and physical preservation of the Collateral in its possession, under §9-207 of the Uniform Commercial Code of the Commonwealth of Massachusetts or otherwise, shall be to deal with such Collateral in the same manner as the Lender deals with similar property for its own account.

§10. Further Assurances. The Borrower, at its own expense, shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as the Lender may require more completely to vest in and assure to the Lender its rights hereunder or in any of the Collateral, including, without limitation, executing, delivering and, where appropriate, filing financing statements and continuation statements under the Uniform Commercial Code.

§11. Power of Attorney.

(a) The Borrower hereby irrevocably constitutes and appoints the Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of the Borrower or in the Lender's own name, for the purpose of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives such attorneys the power and right, on behalf of the Borrower, without notice to

or assent by the Borrower, to do the following:

(i) upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral in such manner as is consistent with the Uniform Commercial Code of the Commonwealth of Massachusetts and as fully and completely as though the Lender were the absolute owner thereof for all purposes, and to do at the Borrower's expense, at any time, or from time to time, all acts and things that the Lender deems necessary to protect, preserve or realize upon the Collateral and the Lender's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as the Borrower might do, including, without limitation, (A) the filing and prosecuting of registration and transfer applications with the appropriate federal or local agencies or authorities with respect to trademarks, copyrights and patentable inventions and processes, and (B) the execution, delivery and recording, in connection with any sale or other disposition of any Collateral, of the endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral; and

(ii) to file such financing statements with respect hereto, with or without the Borrower's signature, or a photocopy of this Agreement in substitution for a financing statement, as the Lender may deem appropriate and to execute in the

Borrower's name such financing statements and continuation statements that may require the Borrower's signature.

(b) To the extent permitted by law, the Borrower hereby ratifies all that such attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

(c) The powers conferred on the Lender hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Lender shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Borrower for any act or failure to act, except for the Lender's own gross negligence or willful misconduct.

§12. Remedies. If an Event of Default shall have occurred and be continuing, the Lender may, without notice or demand to the Borrower, declare this Agreement to be in default, and the Lender shall thereafter have in any jurisdiction in which enforcement hereof is sought, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code, including, without limitation, the right to take possession of the Collateral, and for that purpose the Lender may, so far as the Borrower can give authority therefor, enter upon any premises on which the Collateral may be situated and remove the same therefrom. The Lender may in its discretion require the Borrower to assemble all or any part of the Collateral at such location or locations within the Commonwealth of

Massachusetts or at such other locations as the Lender may designate. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Lender shall give to the Borrower at least ten days' prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other intended disposition is to be made. The Borrower hereby acknowledges that ten days' prior written notice of such sale or sales shall be reasonable notice. In addition, the Borrower waives any and all rights that it may have to judicial hearing in advance of the enforcement of any of the Lender's rights hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights with respect thereto.

§13. No Waiver, Etc. The Borrower waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect to both the Obligations and the Collateral, the Borrower assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Lender may deem advisable. The Lender shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe

custody thereof. The Lender shall not be deemed to have waived any of its rights upon or under the Obligations or the Collateral unless such waiver shall be in writing and signed by the Lender. No delay or omission on the part of the Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. All rights and remedies of the Lender with respect to the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly, alternatively, successively or concurrently at such time or at such times as the Lender deems expedient.

§14. Marshalling. The Lender shall not be required to marshal any present or future collateral security (including but not limited to this Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of its rights hereunder and in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Borrower hereby agrees that it will not invoke any law relating to the marshalling of collateral that might cause delay in or impede the enforcement of the Lender's rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, the Borrower hereby irrevocably waives the benefits of all such laws.

§15. Proceeds of Dispositions; Expenses. The Borrower shall pay to the Lender on demand any and all expenses, including reasonable attorneys' fees and disbursements, incurred or paid by the Lender in protecting, preserving or enforcing the Lender's rights under or in respect of any of the Obligations or any of the Collateral. After deducting all of such expenses, the residue of any proceeds of collection or sale of the Obligations or Collateral shall be applied to the payment of the Obligations in such order or preference as the Lender may determine, proper allowance being made for any Obligations not then due. Upon the final payment and satisfaction in full of all of the Obligations and after making any payments required by Sections 9-608(a)(i)(C) and 9-615(a)(3) of the Uniform Commercial Code of the Commonwealth of Massachusetts, any excess shall be returned to the Borrower, and the Borrower shall remain liable for any deficiency in the payment of the Obligations.

§16. Overdue Amounts. Until paid, all amounts due and payable by the Borrower hereunder shall be a debt secured by the Collateral and shall bear, whether before or after judgment, interest at the rate specified in the Promissory Note.

§17. Governing Law. **THIS SECURITY AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.**

§18. Notices, Etc. Except as otherwise expressly provided in this Security

Agreement, all notices and other communications made or required to be given pursuant to this Security Agreement shall be in writing and shall be delivered in hand, mailed by United States first class mail, postage prepaid, sent by overnight courier (e.g., Federal Express or similar courier), or sent by telegraph, telecopy, facsimile or telex and confirmed by delivery via hand, courier or postal service, addressed as follows:

(a) if to the Borrower, at 203 Pine Brook Drive, Peabody, MA 01960 or at such other address for notice as the Borrower shall last have furnished in writing to the party giving the notice; and

(b) if to the Lender, at 21 Properzi Way, Somerville, MA 02143, or at such other address for notice as the Lender shall last have furnished in writing to the party giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand, overnight courier or facsimile to a responsible officer of the party to which it is directed, at the time of the receipt thereof by such officer or the sending of such facsimile and (ii) if sent by first-class mail, postage prepaid, on the third Business Day following the mailing thereof.

§19. Entire Agreement, Etc. This Security Agreement and any other documents executed in connection herewith express the entire understanding of the parties with respect to the transactions contemplated hereby. Neither this Security Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in §21.

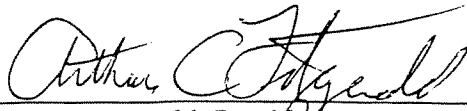
§20. Consents, Amendments, Waivers, Etc. Any consent or approval required or permitted by this Security Agreement to be given by the Lender may be given, and any term of this Security Agreement or any other instrument related hereto or mentioned herein may be amended, and the performance or observance by the Borrower of any terms of this Security Agreement or such other instrument or the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Lender. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. No course of dealing or delay or omission on the part of the Lender in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. No notice to or demand upon the Borrower shall entitle the Borrower to other or further notice or demand in similar or other circumstances.

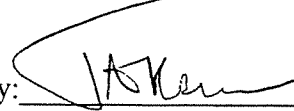
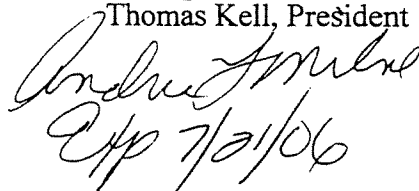
for convenience only and shall not define or limit the provisions thereof. This Security Agreement and all rights and obligations hereunder shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit of the Lender and its successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. The Borrower acknowledges receipt of a copy of this Security Agreement. This Security Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Security Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

§21. Miscellaneous. The headings of each section of this Security Agreement are

IN WITNESS WHEREOF, intending to be legally bound, the parties have caused this Security Agreement to be duly executed as of the date first above written.

ELECTRONIC PAPER SOLUTIONS, INC. AMES SAFETY ENVELOPE COMPANY

By: 
Arthur Fitzgerald, President

By: 
Thomas Kell, President

Andrew Miller
Exp 7/21/06

Permitted Liens

(i) liens to secure taxes, assessments and other government charges or claims for labor, material or supplies in respect of obligations not overdue;

(ii) deposits or pledges made in connection with, or to secure payment of, workmen's compensation, unemployment insurance, old age pensions or other social security obligations;

(iii) liens in respect of judgments or awards that have been in force for less than the applicable period for taking an appeal so long as execution is not levied thereunder or in respect of which the Borrower shall at the time in good faith be prosecuting an appeal or proceedings for review and in respect of which a stay of execution shall have been obtained and be in effect pending such appeal or review; and

(iv) liens of carriers, warehousemen, mechanics and materialmen, and other like liens, in existence less than 120 days from the date of creation thereof in respect of obligations not overdue.