

PATENT ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

SUBMISSION TYPE:

NEW ASSIGNMENT

NATURE OF CONVEYANCE:

Asset Purchase Agreement

CONVEYING PARTY DATA

Name	Execution Date
Cygnnet Storage Solutions (Cygnnet Storage Solutions Holdings)	03/09/2001

RECEIVING PARTY DATA

Name:	Trace Affex, Inc.
Street Address:	1609 B Regatta Lane
City:	San Jose
State/Country:	CALIFORNIA
Postal Code:	95112

PROPERTY NUMBERS Total: 1

Property Type	Number
Patent Number:	5884298

CORRESPONDENCE DATA

Fax Number: (408)441-7259
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
Phone: 408-441-3535
Email: dkalstrom@trace.com
Correspondent Name: David J. Kalstrom
Address Line 1: 1609 B Regatta Lane
Address Line 4: San Jose, CALIFORNIA 95112

NAME OF SUBMITTER:

David J. Kalstrom

Total Attachments: 10

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is dated as of March 9, 2001, by and between Cygnet Storage Solutions Holdings, Inc.(CSS Holdings), a California corporation ("Seller"), and Trace Affex, Inc., a California corporation ("Purchaser").

R E C I T A L S

Seller desires to sell, and Purchaser desires to buy, substantially all of Seller's assets and assume certain liabilities of Seller, on the terms and conditions in this Agreement.

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

ARTICLE ONE

1. CERTAIN DEFINITIONS. For purposes of this Agreement (including the Schedules attached hereto), the following capitalized terms used herein shall have the respective meanings set forth below:

- 1.1 "Assumed Contracts" shall mean all the contracts, agreements, leases and instruments and other legally binding contractual commitments entered into by or on behalf of Seller or by which Seller is bound, which are listed on Schedule 1.1.
- 1.2 "Assumed Liabilities" means the Liabilities of Seller listed on Schedule 1.2 and assumed by Purchaser.
- 1.3 "Closing Date" shall have the meaning set forth in Section 6.1.
- 1.4 "Code" shall mean the Internal Revenue Code of 1986, as amended, together with any and all rules and regulations promulgated thereunder.
- 1.5 "Excluded Assets" means the assets listed on Schedule 1.5.
- 1.6 "Liabilities" means all liabilities, obligations, commitments of and claims against Seller (whether known, unknown, accrued, absolute, matured, unmatured, contingent or otherwise, and whether arising before or after the Closing Date), including, but not limited to, liabilities existing as of the Closing Date or thereafter.
- 1.7 "Permitted Encumbrances" shall mean (a) any and all encumbrances and other title exceptions with respect to the Purchased Assets, (b) the conditions of all permits which relate to the Purchased Assets or Seller's Business, and (c) all other encumbrances on and exceptions to Seller's title to the Purchased Assets that do not substantially impair or materially adversely affect the use to which the Purchased Assets are currently subject.
- 1.8 "Person" shall mean any individual, corporation, limited liability company, general partnership, limited partnership, joint venture, association, trust, organization, business entity, government (or political subdivision thereof) or governmental agency.
- 1.9 "Purchased Assets" means Seller's right, title and interest in the assets listed on Schedule 1.9.
- 1.10 "Purchase Price" shall have the meaning set forth in Section 2.2.

ARTICLE TWO

2. TERMS OF SALE AND PAYMENT.

- 2.1 Purchase of Assets. On the Closing Date, Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, the Purchased Assets. The Purchased Assets shall not include the Excluded Assets.
- 2.2 Purchase Price of Assets. As consideration for the sale

Purchaser of the Purchased Assets, Purchaser shall deliver to Seller (a) One million (1,000,000) shares of Purchaser's Preferred Stock, and (b) Five Hundred Thousand (500,000) shares of Purchaser's Common Stock, and (c) an assignment and assumption agreement for the purpose of assuming the Assumed Liabilities (collectively, the "Purchase Price"). Seller shall also deliver to Purchaser a warrant to acquire 250,000 shares of Seller's Preferred Stock upon the terms and conditions set forth in the warrant attached as Exhibit C.

2.3 Assumption of Liabilities. Purchaser shall assume the Assumed Liabilities of Seller set forth on Schedule 1.2. Purchaser's liability for the Heritage Capital liability described on Schedule 1.2 shall be reduced by accounts receivable payments attached to Schedule 1.2. Except as listed on Schedule 1.2, Purchaser shall not assume any Liabilities of Seller.

2.4 Allocation. The Purchase Price shall be allocated among the Purchased Assets as Seller and Purchaser shall agree. Each party shall report this transaction under Section 1060 of the Code and any similar applicable State law. Purchaser and Seller agree that the allocation of Purchased Assets agreed upon represents the respective fair market values thereof and such allocation will be reflected on Purchaser's and Seller's books for tax purposes; and neither shall prepare or file, nor permit any of its affiliates to prepare or file, any tax return or report that reflects an allocation that is different from, or that is otherwise inconsistent with, such allocation.

2.5 Transfer Taxes. Any sales tax, use tax, real property transfer or conveyance tax or recording fee required to be paid on behalf of Seller or Purchaser on or after the Closing as a result of the sale to Purchaser of the Purchased Assets, shall be borne solely by Purchaser. The parties agree that no return, report or other document relating to any such tax or fee shall be filed with or submitted to any governmental authority by Seller or Purchaser without the prior approval of both Purchaser and Seller; provided that such approval shall not be unreasonably withheld or delayed by Purchaser or Seller. Purchaser shall not be required to bear any portion of any federal or state income tax liabilities (including any income tax liabilities arising from the recapture of investment tax credits) that may be incurred by Seller as a result of the transactions referred to herein.

ARTICLE THREE

3. SELLER'S AND SHAREHOLDER'S REPRESENTATIONS AND WARRANTIES. Seller hereby make the following representations and warranties to Purchaser:

3.1 Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of California, duly authorized to carry on the business presently conducted by it.

3.2 Authority and Enforceability. Seller has taken all necessary action on its part as may be required under the laws of the State of California and under its Articles of Incorporation and Bylaws to authorize the execution, delivery and performance of this Agreement. This Agreement constitutes the valid and legally binding obligation of Seller, enforceable against Seller in accordance with the terms hereof, subject as to enforceability to bankruptcy, insolvency, reorganization and other similar laws and judicial decisions of general applicability relating to or affecting creditor's rights generally and subject to the availability of equitable remedies and the application of equitable principles.

principles, including the possible unavailability of specific performance or injunctive relief, regardless of whether such enforceability is considered at law or in equity.

3.3 No Breach or Violation. Neither the execution and delivery by Seller of this Agreement, nor the consummation of the transactions contemplated hereby will violate or conflict with (a) any provision of the Articles of Incorporation or Bylaws of Seller, or (b) any agreement, whether oral or written, to which Seller is a party.

3.4 Title to Assets. Seller owns title to the Purchased Assets and the Purchased Assets are free and clear of all Liabilities and liens other than the Permitted Encumbrances.

3.5 Financial Statements. Intentionally Omitted.

3.6 Personal Property. The Purchased Assets constitute all material assets used in connection with the business formerly operated by Cygnet Storage Systems, Inc., a California corporation.

3.7 Assumed Contracts. Schedule 3.7 attached to this Agreement contains a complete and accurate list of the contracts relating to the Purchased Assets. To Seller's knowledge, there is no material default or event that, with notice or lapse of time or both, would constitute a default by any party to any of material agreement to which the Purchased Assets are subject. Seller has not received any notice that any party intends to cancel or terminate any of these agreements.

3.8 Tradenames, Trademarks and Copyrights. Seller has no knowledge of any infringement or alleged infringement by others of any tradename, trademark, service mark, or copyright used in connection with the Purchased Assets. To Seller's knowledge, the Purchased Assets have not infringed, and are not infringing, on any tradename, trademark, service mark, or copyright belonging to any Person.

3.9 Undisclosed Liabilities. Except for (a) Liabilities incurred in the ordinary course of business, and (b) Liabilities listed on Schedule 3.9 attached to this Agreement, Seller has no Liabilities.

3.10 Related Transactions. Except as set forth on Schedule 3.10 attached to this Agreement, there are no transactions, agreements, loans or similar matters to which Seller and its officers, directors or shareholders, are parties.

3.11 Litigation. Except as set forth on Schedule 3.11, Seller has not received any written notice of any action, suit, proceeding at law or in equity, arbitration or administrative or other proceeding by or before or, any investigation by, any governmental or other instrumentality or agency, or, to Seller's actual knowledge threatened, against or affecting Seller or any of the Purchased Assets.

3.12 No Changes. Since March 9, 2001, Seller has not:

(a) incurred any liability or obligation except in the ordinary course of business consistent with past practice;

(b) permitted any of the Purchased Assets to be subjected to any lien (other than Permitted Encumbrances);

(c) sold, transferred or otherwise dispose of any assets except inventory in the ordinary course of business consistent with past practice;

(d) made any capital expenditure or commitment therefor in an amount exceeding \$100,000;

(e) issued any options, rights, subscriptions, claims of any character, obligations, convertible or exchangeable securities, or other commitments, contingent or otherwise;

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(f) incurred any indebtedness or made any loan to any Person;
(g) made any change in any method of accounting or auditing practice;
(h) entered into any agreement with any affiliate; and
(i) agreed, whether or not in writing, to do any of the foregoing.

3.13 No Other Representations or Warranties. Except as expressly provided in this Agreement, Seller hereby disclaims the making of any representations or warranties, express or implied. Purchaser acknowledges that, except as otherwise expressly provided in this Agreement: (i) the Seller shall not incur any cost or liability with respect to the content or accuracy of any report, opinion or conclusion of any Person who has examined Seller; (ii) Purchaser is a Person experienced in acquisition transactions of the type contemplated in this Agreement and has entered into this Agreement with the intention of making and relying upon its own investigation of the physical, environmental and economic condition of Seller; and (iii) Purchaser is not relying upon any representations or warranties made by Seller or anyone acting or claiming to act on the Seller's behalf, except as provided in this Agreement. Purchaser further acknowledges that it has not received from Seller any accounting, tax, legal or other advice with respect to this transaction and is relying solely upon the advice of its own accounting, tax, legal and other advisors.

ARTICLE FOUR

4. PURCHASER'S REPRESENTATIONS AND WARRANTIES. Purchaser hereby makes the following representations and warranties to Seller:

4.1 Organization. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of California, duly authorized to carry on the business presently conducted by it.

4.2 Authority and Enforceability. Purchaser has taken all necessary corporate action on its part as may be required under the laws of the State of California and under its Articles of Incorporation and Bylaws to authorize the execution, delivery and performance of this Agreement on its behalf. This Agreement constitutes the valid and legally binding obligation of Purchaser, enforceable against Purchaser in accordance with the terms hereof, subject as to enforceability to bankruptcy, insolvency, reorganization and other similar laws and judicial decisions of general applicability relating to or affecting creditors' rights generally and subject to the availability of equitable remedies and the application of equitable principles, including the possible unavailability of specific performance or injunctive relief, regardless of whether such enforceability is considered at law or in equity.

4.3 No Breach or Violation. Neither the execution and delivery by Purchaser of this Agreement, nor the consummation of the transactions contemplated hereby will violate or conflict with (a) any provision of the Articles of Incorporation or Bylaws of Purchaser or (b) to Purchaser's knowledge, any agreement, whether oral or written, to which Purchaser is a party.

4.4 Shares. Upon Closing, the Purchaser's stock described in Section 2.2 above will be validly issued, fully paid, non-assessable and free of preemptive rights. Except as set forth on Schedule 4.4, Purchaser has no commitment to issue or sell any shares of capital stock or other securities. Purchaser has the authorized and issued capital stock set forth on Schedule 4.4 hereto. Except as set forth on Schedule 4.4

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there are no outstanding (i) options, warrants or other rights to purchase common stock or preferred stock of Purchaser, (ii) agreements or other obligations of Purchaser to issue common stock or preferred stock, or (iii) other rights to convert any obligation into, or exchange any securities for, common stock or preferred stock.

ARTICLE FIVE

5. CONDITIONS TO CLOSING. The following conditions shall apply:

5.1 Purchaser's Conditions to Closing. Purchaser's obligation to purchase the Purchased Assets is subject to the satisfaction, or waiver, of all the conditions set forth below on or before the Closing Date:

(a) Accuracy of Representations and Warranties. All representations and warranties by Seller shall be true in all material respects on and as of the Closing Date as if they are made at that time.

(b) Performance. Seller shall have performed, satisfied, and complied in all material respects with all covenants, agreements, and conditions required to be performed under this Agreement on or before the Closing Date.

(c) No Material Adverse Change. During the period from March 9, 2001 to and including the Closing Date, there shall not have been any material loss or damage to the Purchased Assets.

(d) Bulk Sales Law. Seller and Purchaser shall have complied with or waived compliance with the bulk transfer law or statute which requires notice to or provides for the rights of creditors of Seller in connection with the sale of the assets of Seller to Purchaser.

5.2 Seller's Conditions to Closing. Seller's obligation to sell and transfer the Purchased Assets to Purchaser is subject to the satisfaction, or waiver, of the following conditions on or before the Closing Date:

(a) Representations. All representations and warranties by Purchaser shall be true in all material respects on and as of the Closing Date as if they were made on and as of such date.

(b) Performance. Purchaser shall have performed and complied with all covenants and agreements and satisfied all conditions required by this Agreement to be performed or satisfied on or before the Closing.

ARTICLE SIX

6. CLOSING.

6.1 Time and Place. The transfer of the Purchased Assets by Seller to Purchaser (the "Closing ") shall take place at the offices of Doty Sundheim & Gilmore, 260 Sheridan Avenue, Suite 200, Palo Alto, California, at 1:00 p.m. local time on April __, 2001, or at such other time and place as the parties may agree in writing (the "Closing Date"), but made effective as of the date of this Agreement.

6.2 Deliveries at Closing. The following items shall be delivered at the Closing:

(a) Seller. Seller shall deliver, or cause to be delivered, to Purchaser the following duly signed documents:

(i) An executed bill of sale in substantially the form attached to this Agreement as Exhibit A;

(ii) An Assignment and Assumption Agreement in substantially the form attached hereto as Exhibit B;

(iii) A closing certificate executed by Seller's President certifying the accuracy of Seller's representations and warranties;

(iv) As soon as reasonably practicable on or before the Closing, **PATENT,**

Seller will use its reasonable efforts to obtain the consents of all Persons whose consent is required in connection with this Agreement, and deliver copies thereof to Purchaser; and

(v) Such other documents and instruments as Purchaser may reasonably request in order to effect the purpose of this Agreement.

(b) Purchaser. Purchaser shall deliver or cause to be delivered to Seller the following duly signed documents:

(i) One or more certificates evidencing Purchaser's stock to be delivered as part of the Purchase Price;

(ii) A Warrant in substantially the form attached as Exhibit C;

(iii) An Assignment and Assumption Agreement in substantially the form attached hereto as Exhibit B;

(iv) A closing certificate executed by Purchaser's President certifying the accuracy of Purchaser's representations and warranties; and

(v) Such other documents and instruments as Seller may reasonably request in order to effect the purpose of this Agreement.

ARTICLE SEVEN

7. GENERAL PROVISIONS.

7.1 Notices. All notices, consents, approvals, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of delivery if personally delivered to the party to whom notice is to be given, or on the third business day after mailing if mailed by first class mail, registered or certified, postage prepaid, at the address set forth below or on the date of service if delivered by facsimile to the facsimile number set forth below which facsimile is confirmed by answer back or on the next business day following delivery to a recognized national courier, charges prepaid, addressed to the address set forth below. Any party may change its address for purposes of this Section by giving the other parties written notice of the new address in the manner set forth above. Addresses for notice purposes are as follows:

If to Seller: CSS Holdings, Inc.
151 E. Brokaw Road
San Jose, CA 95112
Attention: President

If to Purchaser: Trace Affex, Inc.
151 E. Brokaw Road
San Jose, CA 95112
Attention: David Kalstrom, President

7.2 Governing Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of California, without regard to its conflict of laws doctrine.

7.3 Headings. The subject headings of the Sections, paragraphs and subsections of this Agreement are included for purposes of convenience only, and shall not affect the construction or interpretation of any of the provisions hereof.

7.4 Modification and Waiver. This Agreement constitutes the entire agreement between the parties pertaining to its subject matter and supersedes all prior and contemporaneous agreements, representations, and understandings of the parties. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by all the parties.

7.5 Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original

all of which together shall constitute one and the same instrument.

7.6 Variations of Pronouns. Whenever required by the context hereof, the singular number shall include the plural, and vice versa; the masculine gender shall include the feminine and neuter genders; and the neuter gender shall include the masculine and feminine genders.

7.7 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

7.8 Severability. In the event that any provision of this Agreement, or the application of such provision to any person or set of circumstances, shall be determined to be invalid, unlawful or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to persons or circumstances other than those as to which it is determined to be invalid, unlawful or unenforceable, shall not be affected and shall continue to be enforceable to the fullest extent permitted by law.

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

CSS Holdings, Inc.
By: Stephen Li, President
Trace Affex, Inc.
By: David Kalstrom, President

Schedule 1.1
Assumed Contracts
None.

Schedule 1.2
Assumed Liabilities
Heritage Capital Group - balance owing March 9, 2001 - \$610,000;
pursuant to loan agreement and promissory note dated January 22, 2000
by Cygnet in favor of Heritage.

Schedule 1.5
Excluded Assets
[Accounts Receivables.]

Schedule 1.9
Purchased Assets
Accounts receivable (net of reserve for doubtful accounts)
\$160,000
Inventories (net of reserve for obsolescence and mark-downs of \$47,250)
Finished goods at customer locations \$100,000
Materials and work-in-progress \$500,000
Total inventory \$600,000
Equipment, tooling, computers, furniture and production
moulds \$120,000
Other assets (value of patents and trademarks to be allocated)
Patents
Trademarks
Other Intangibles \$1,230,000
Total other assets
\$1,230,000
Total value of purchased assets

\$2,110,000

Trademarks (list attached)

Patent 08/624,296 United States March 29, 1996 Purchased from Elms Systems Corporation.

Patent 08/770,853 (US 5884298) United States December 20, 1996
Purchased from Elms Systems Corporation.

Schedule 3.7

Material Contracts

[To be added]

Schedule 3.9

Additional Liabilities

1. Vendors may hold in their premises production moulds owned by Seller, and may be owed money from Cygnet Storage Solutions, Inc.
2. Cyberkinetics may have a royalty or other claim relating to the sale of product.
3. Vendors may be unwilling to do business with Purchaser without payment for amounts owed by Cygnet.

Schedule 3.10

Related Transactions

1. Seller has guaranteed up to \$570,000 in bank borrowings of Cygnet from Heritage Capital Group. (See Schedule 1.2)
2. Seller acquired the Purchased assets in a foreclosure sale of Cygnet's assets on March 9, 2001. Such assets constitute the Purchased Assets being sold pursuant to this Agreement.

Schedule 3.11

Litigation

1. Seller has received written notice of claims for amounts owing to Heritage Capital Group. Heritage Capital Group filed a complaint against Cygnet and others on April 3, 2001, in the Santa Clara County Superior Court. The lawsuit involves claims relating to the Purchased Assets.
2. Seller acquired the Purchased assets in a foreclosure sale of the assets of Cygnet Storage Solutions Inc. (Cygnet) on March 7, 2001. Cygnet is a party to a number of claims from vendors for non-payment of amounts owing for purchases of product or services.

Schedule 3.12

Material Changes

None.

Schedule 4.4

Purchased Stock

1. Purchaser has issued seven (7) Convertible Promissory Notes in the aggregate principal amount of \$660,000. Such notes may be converted into common stock. Purchaser has also committed to issuing options pursuant to a company stock option plan.
2. Purchaser has authorized (a) 10,000,000 shares of Preferred and (b) 100,000,000 shares of Common Stock, of which 10,000,000 shares of common stock will be issued and outstanding upon conversion of the Convertible Promissory Notes.

Exhibit A

BILL OF SALE

Bill of Sale, dated April 1, 2001, from CSS Holdings, Inc. ("Seller"),
a California corporation, in favor of Trace Affex, Inc., a California corporation ("Purchaser").

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby sells, transfers and assigns to Purchaser, its successors and assigns, all of the right, title and interest of Seller in all of Seller's assets listed in Seller's balance sheet dated December 31, 2000 (and all additions thereto after such date) (the "Purchased Assets"), to have and hold forever.

Seller does hereby warrant, covenant and agree that it owns the Purchased Assets, free and clear of all security interest, liens, options, charges, encumbrances, restrictions or any other third party right on, over or otherwise attaching to or affecting, or that could attach to or affect, the Purchased Assets or title thereto other than the Permitted Encumbrances.

This Bill of Sale is governed by and construed in accordance with the internal laws of the State of California without giving effect to conflicts of law of principles.

IN WITNESS WHEREOF, the undersigned has executed this Bill of Sale on the date first above appearing, but effective as of March 9, 2001.

Trace Digital, LLC

By:

John Meadows, Manager

Exhibit B

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (this "Agreement") is entered into this 9th day of March, 2001, by and between CSS Holdings, Inc., a California corporation (the "Seller") and Trace Affex, Inc., a California corporation (the "Purchaser").

R E C I T A L S

A. Seller and Purchaser are parties to that certain Asset Purchase Agreement dated as of March 9, 2001 ((the "Purchase Agreement").
B. Pursuant to the Purchase Agreement, Seller agreed to assign certain agreements relating to Seller's business to Purchaser, and Purchaser agreed to assume certain liabilities of Seller.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, Seller and Purchaser agree:

3. Capitalized Terms. Capitalized terms not defined herein shall have the meanings set forth in the Purchase Agreement.

4. Assignment. Seller hereby assigns to Purchaser all of Seller's rights and benefits and into all of Seller's agreements, commitments and the Assumed Liabilities.

5. Assumption. Purchaser hereby assumes (a) the Assumed Liabilities, duties and obligations arising out of or related to the Assumed Agreements (whether written or oral), and (b) all of the Liabilities of Seller.

[Remainder of this page intentionally left blank.]

6. Governing Law. This Agreement shall be governed by and construed under the laws of the state of California, without regard to its conflict of laws of doctrine.

IN WITNESS WHEREOF, this Agreement is entered into on **PATENT** the f

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above written, but effective as of March 9, 2001.

Seller:

CSS Holdings, Inc.

By:

Stephen Li, President

Purchaser:

Trace Affex, Inc.

By:

David Kalstrom, President

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