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To the Honorable Commissioner of Patent

Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):
Zila, Inc.
5227 North 7th Street
Phoenix, AZ 85014
Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)
Name: Wells Fargo Business Credit, Inc.
Internal Address: MAC S4101-076
Street Address: 100 West Washington Street, 7th Floor
City: Phoenix State: AZ ZIP: 85003
Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:
 Assignment Merger
 Security Agreement Change of Name
 Other _____
Execution Date: February 6, 2004

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)
09/509,237; 09/936,800; 09/936,799
B. Patent No.(s)
4,952,204; 5,826,600; 6,406,451
Additional numbers attached? Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:
Name: Mary E. Pischner
Internal Address: Gust Rosenfeld P.L.C.
Street Address: 201 East Washington, Suite 800
City: Phoenix State: AZ ZIP: 85004-2327

6. Total number of applications and patents involved: 6
7. Total fee (37 CFR 3.41).....\$ 240.00
 Enclosed
 Authorized to be charged to deposit account
8. Deposit account number:
(Attach duplicate copy of this page if paying by deposit account)

08/24/2004 MUELLER 00000049 09509237
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DO NOT USE THIS SPACE

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.
Mary E. Pischner Signature
Name of Person Signing
Date: 8-20-04

Total number of pages including cover sheet, attachments, and document: 9

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

PATENT AND TRADEMARK SECURITY AGREEMENT

This Agreement, dated as of February ^{6th}, 2004, is made by and among ZILA, INC., an Arizona corporation (the "Guarantor"), and WELLS FARGO BUSINESS CREDIT, INC., a Minnesota corporation (the "Secured Party").

Recitals

The Guarantor and the Secured Party have entered into a Guaranty Agreement of even date herewith (as the same may hereafter be amended, supplemented or restated from time to time, the "Credit Agreement") setting forth the terms on which the Secured Party may now or hereafter make certain loans or other financial accommodations to companies related to the Guarantor which will be guaranteed by the Guarantor.

As a further condition to making any loan or other financial accommodation to the related parties, the Secured Party has required the execution and delivery of this Agreement by the Guarantor.

ACCORDINGLY, in consideration of the mutual covenants contained in the Credit Agreement and herein, the parties hereby agree as follows:

1. Definitions. All terms defined in the Recitals hereto or in the Credit Agreement that are not otherwise defined herein shall have the meanings given to them therein. In addition, the following terms have the meanings set forth below:

"Obligations" means each and every debt, liability and obligation of every type and description arising under or in connection with any Loan Document (as defined in the Credit Agreement) which the Guarantor may now or at any time hereafter owe to the Secured Party, whether such debt, liability or obligation now exists or is hereafter created or incurred and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, independent, joint, several or joint and several, and including specifically, but not limited to, the Obligations (as defined in the Credit Agreement).

"Patents" means all of the Guarantor's right, title and interest in and to patents or applications for patents, fees or royalties with respect to each, and including without limitation the right to sue for past infringement and damages therefor, and licenses thereunder, all as presently existing or hereafter arising or acquired, including without limitation the patents listed on Exhibit A.

"Trademarks" means all of the Guarantor's right, title and interest in and to trademarks, service marks, collective membership marks, the respective goodwill associated with each, and licenses thereunder, all as presently existing or hereafter arising or acquired, including, without limitation, the marks listed on Exhibit B.

2. Security Interest. The Guarantor hereby irrevocably pledges and assigns to, and grants the Secured Party a security interest, with power of sale to the extent permitted by

law (the "Security Interest"), in the Patents and in the Trademarks to secure payment of the Obligations.

3. Representations, Warranties and Agreements. Subject to the provisions of Section 6.17 of the Credit Agreement regarding Guarantor's rights with respect to Intellectual Property Rights determined by Guarantor as no longer useful in Guarantor's business, the Guarantor hereby represents, warrants and agrees as follows:

(a) **Existence; Authority.** The Guarantor is a corporation, having full power to and authority to make and deliver this Agreement. The execution, delivery and performance of this Agreement by the Guarantor have been duly authorized by all necessary action of the Guarantor's board of directors, and if necessary its stockholders, and do not and will not violate the provisions of, or constitute a default under, any presently applicable law or its articles of incorporation or bylaws or any agreement presently binding on it. This Agreement has been duly executed and delivered by the Guarantor and constitutes the Guarantor's lawful, binding and legally enforceable obligation. The correct name of the Guarantor is as set forth in the opening section above. The authorization, execution, delivery and performance of this Agreement do not require notification to, registration with, or consent or approval by, any federal, state or local regulatory body or administrative agency.

(b) **Patents.** Exhibit A accurately lists all Patents owned or controlled by the Guarantor as of the date hereof, accurately reflects the existence and status of registrations pertaining to the Patents as of the date hereof, and accurately lists all applications for patents pending on the date hereof.

(c) **Trademarks.** Exhibit B accurately lists all Trademarks owned or controlled by the Guarantor as of the date hereof and accurately reflects the existence and status of Trademarks and all registrations pertaining thereto as of the date hereof.

(d) **Title.** The Guarantor has absolute title to each Patent and each Trademark listed on Exhibits A and B, free and clear of all security interests, liens and encumbrances, except the Security Interest. The Guarantor (i) will have, at the time the Guarantor acquires any rights in Patents or Trademarks hereafter arising, absolute title to each such Patent or Trademark free and clear of all security interests, liens and encumbrances, except the Security Interest, and (ii) will keep all Patents and Trademarks free and clear of all security interests, liens and encumbrances except the Security Interest.

(e) **No Sale.** The Guarantor will not sell or otherwise dispose of the Patents or Trademarks, or any interest therein, without the Secured Party's prior written consent.

(f) **Defense.** Unless otherwise agreed by Secured Party, the Guarantor will at its own expense, and using its best efforts, protect and defend the Patents and Trademarks against all claims or demands of all persons other than the Secured Party.

(g) **Maintenance.** The Guarantor will at its own expense maintain the Patents and the Trademarks to the extent reasonably advisable in its business including, but not limited to, filing all applications to register and all affidavits and renewals possible with respect to issued registrations. The Guarantor covenants that it will not abandon nor fail to pay any maintenance fee or annuity due and payable on any Patent or Trademark, nor fail to file any

required affidavit in support thereof, without first providing the Secured Party: (i) sufficient written notice, as provided in the Credit Agreement, to allow the Secured Party to timely pay any such maintenance fees or annuity which may become due on any of said Patents or Trademarks, or to file any affidavit with respect thereto, and (ii) a separate written power of attorney or other authorization to pay such maintenance fees or annuities, or to file such affidavit, should such be necessary or desirable. Guarantor will diligently pursue all pending applications for patents and will take all reasonable actions to insure issuance thereof.

(h) ***Secured Party's Right to Take Action.*** If the Guarantor fails to perform or observe any of its covenants or agreements set forth in this Section 3, and if such failure continues for a period of ten (10) calendar days after the Secured Party gives the Guarantor written notice thereof (or, in the case of the agreements contained in subsection (g), immediately upon the occurrence of such failure, without notice or lapse of time), or if the Guarantor notifies the Secured Party that it intends to abandon a Patent or Trademark, the Secured Party may (but need not) perform or observe such covenant or agreement on behalf and in the name, place and stead of the Guarantor (or, at the Secured Party's option, in the Secured Party's own name) and may (but need not) take any and all other actions which the Secured Party may reasonably deem necessary to cure or correct such failure.

(i) ***Costs and Expenses.*** Except to the extent that the effect of such payment would be to render any loan or forbearance of money usurious or otherwise illegal under any applicable law, the Guarantor shall pay the Secured Party on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees) incurred by the Secured Party in connection with or as a result of the Secured Party's taking action under subsection (h) or exercising its rights under Section 6, together with interest thereon from the date expended or incurred by the Secured Party at the highest rate then applicable to any of the Obligations.

(j) ***Power of Attorney.*** To facilitate the Secured Party's taking action under subsection (h) and exercising its rights under Section 6, the Guarantor hereby irrevocably appoints (which appointment is coupled with an interest) the Secured Party, or its delegate, as the attorney-in-fact of the Guarantor with the right (but not the duty) from time to time during a Default Period under the Credit Agreement to create, prepare, complete, execute, deliver, endorse or file, in the name and on behalf of the Guarantor, any and all instruments, documents, applications, financing statements, and other agreements and writings required to be obtained, executed, delivered or endorsed by the Guarantor under this Section 3, or, necessary for the Secured Party, after an Event of Default, to enforce or use the Patents or Trademarks or to grant or issue any exclusive or non-exclusive license under the Patents or Trademarks to any third party, or to sell, assign, transfer, pledge, encumber or otherwise transfer title in or dispose of the Patents or Trademarks to any third party. The Guarantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. The power of attorney granted herein shall terminate upon the termination of the Credit Agreement as provided therein and the payment and performance of all Obligations (as defined therein).

(k) ***Intent to Use Applications.*** Guarantor has or may have in the future considered the adoption of trademarks or service marks for which it has or will file applications for registration with the United States Patent and Trademark Office under Section 1 (b) of the Trademark Act ("intent to use"). The trademarks for which applications are

so filed, and the applications filed in connection therewith are not Trademarks and are not subject to the security interest created herein. Guarantor agrees that it will be an Event of Default under this Agreement if at any time any other person acquires any interest, including a security interest, in the trademarks or the applications. Guarantor further agrees that upon issuance by the United States Patent and Trademark Office of any registration of any such marks, the marks so registered at that time shall become Trademarks under this Agreement and shall be subject to the security interest granted hereunder. Guarantor shall deliver semi-annually in connection with the financial statements for June and December, delivered to Lender pursuant to Section 6.1(b) of the Credit Agreement a schedule of the registrations issued for the prior six month period, and shall, unless otherwise agreed by Secured Party, execute any document required at that time to perfect the security interest in such marks, and failure to do so shall be an Act of Default under this Agreement.

4. Guarantor's Use of the Patents and Trademarks. The Guarantor shall be permitted to control and manage the Patents and Trademarks, including the right to exclude others from making, using or selling items covered by the Patents and Trademarks and any licenses thereunder, in the same manner and with the same effect as if this Agreement had not been entered into, so long as no Event of Default occurs and remains uncured.

5. Events of Default. Each of the following occurrences shall constitute an event of default under this Agreement (herein called "Event of Default"): (a) an Event of Default, as defined in the Credit Agreement, shall occur; or (b) the Guarantor shall fail promptly to observe or perform any covenant or agreement herein binding on it; or (c) any of the representations or warranties contained in Section 3 shall prove to have been incorrect in any material respect when made.

6. Remedies. Upon the occurrence of an Event of Default and at any time thereafter, the Secured Party may, at its option, take any or all of the following actions:

(a) The Secured Party may exercise any or all remedies available under the Credit Agreement.

(b) The Secured Party may sell, assign, transfer, pledge, encumber or otherwise dispose of the Patents and Trademarks.

(c) The Secured Party may enforce the Patents and Trademarks and any licenses thereunder, and if Secured Party shall commence any suit for such enforcement, the Guarantor shall, at the request of Secured Party, do any and all lawful acts and execute any and all proper documents required by Secured Party in aid of such enforcement.

7. Miscellaneous. This Agreement has been duly and validly authorized by all necessary action, corporate or otherwise. This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by the Secured Party. A waiver signed by the Secured Party shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of the Secured Party's rights or remedies. All rights and remedies of the Secured Party shall be cumulative and may be exercised singularly or concurrently, at the Secured Party's option, and the exercise or enforcement of any one such

right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. The Secured Party shall not be obligated to preserve any rights the Guarantor may have against prior parties, to realize on the Patents and Trademarks at all or in any particular manner or order, or to apply any cash proceeds of Patents and Trademarks in any particular order of application. This Agreement shall be binding upon and inure to the benefit of the Guarantor and the Secured Party and their respective participants, successors and assigns and shall take effect when signed by the Guarantor and delivered to the Secured Party, and the Guarantor waives notice of the Secured Party's acceptance hereof. The Secured Party may execute this Agreement if appropriate for the purpose of filing, but the failure of the Secured Party to execute this Agreement shall not affect or impair the validity or effectiveness of this Agreement. A carbon, photographic or other reproduction of this Agreement or of any financing statement signed by the Guarantor shall have the same force and effect as the original for all purposes of a financing statement. The internal law of Arizona, without regard to conflicts of law provisions, shall govern this Agreement. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Obligations.

THE PARTIES WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Patent and Trademark Security Agreement as of the date written above.

[Signatures on following pages]

Zila, Inc.
5227 N. 7th Street
Phoenix, Arizona 85014
Telecopier: _____
Attention: ANDREW A STEVENS

ZILA, INC.
By Andrew A Stevens
Its VP, CFO, TREASURER AND SECRETARY

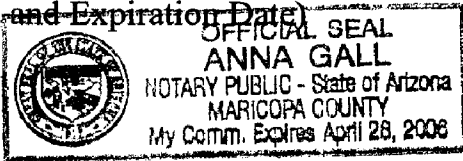
Wells Fargo Business Credit, Inc.
Wells Fargo Plaza, MAC S4101-076
100 West Washington Street, 7th Floor
Phoenix, AZ 85003
Telecopier: 602-378-6215
Attention: Ms. Darcy Della Flora

WELLS FARGO BUSINESS CREDIT, INC.
By Darcy Della Flora
Its Vice President

STATE OF ARIZONA
COUNTY OF MARICOPA

The foregoing instrument was acknowledged before me this 6TH day of FEBRUARY, 2004, by ANDREW A. STEVENS, the VP, CFO, TREASURER/SECRETARY of Zila, Inc., an Arizona corporation, on behalf of the corporation.

(Seal and Expiration Date)



Anna Gall
Notary Public

STATE OF ARIZONA
COUNTY OF MARICOPA

The foregoing instrument was acknowledged before me this 6TH day of FEBRUARY, 2000, by Darcy Della Flora, a VICE PRESIDENT of Wells Fargo Business Credit, Inc., on behalf of the corporation.

(Seal and Expiration Date)



Anna Gall
Notary Public

EXHIBIT A

U. S. PATENTS ISSUED

<u>Title</u>	<u>Patent Number</u>	<u>Issue Date</u>
Dry handle swab assembly and unit	4,952,204	08/28/1990
Disposable dry-handle mascara applicator assembly	5,826,600	10/27/1998
Dry handle swab assembly	6,406,451	06/18/2002

U.S. PATENTS PENDING

<u>Title</u>	<u>Application No.</u>	<u>Date Filed</u>
Methods and Composition for (In Situ) Formation of Protection and/or Medicated Film on Body Tissue	09/509,237	3/20/00
Topical Medicated Bioadhesive Composition and Methods of Use and Preparation Thereof	09/936,800	11/13/01
Method for Cleaning and Sterilizing Dental and Medical Instruments	09/936,799	10/20/00

FOREIGN PATENTS ISSUED

None.

FOREIGN PATENTS PENDING

<u>Title</u>	<u>Country</u>	<u>Application No.</u>	<u>Date</u>
Method and Compositions for (In Situ) Formation of Protective and/or Medicated Films on Body Tissue	Australia	11902/99	10/19/98
	Canada	2,306,486	10/19/98
	China	98813904.9	10/19/98
	Europe	98954998.5	10/19/98
	Israel	135.164	10/19/98
	Japan	2000-576800	10/19/98
	Mexico	2000003491	4/10/00
	Taiwan	87119268	11/20/98
Topical Medicated Bioadhesive Compositions and Methods of Use and Preparation Thereof	Canada	2,366,411	1/14/00
	Europe		
	Japan	2001 551418	
	Norway	2001 4444	9/13/01
Dry Handle Swab Assembly	Canada	PCT/US00/29163	10/20/00
	Europe		

EXHIBIT B

U. S. TRADEMARKS ISSUED

<u>Trademark</u>	<u>Registration Number</u>	<u>Registration Date</u>
ZILA	1,607,112	07/24/1990
VIZILITE	2,670,202	12/31/2002
TSRW	2,625,621	09/24/2002
INNOVATIVE	2,580,234	06/11/2002

FOREIGN TRADEMARKS ISSUED

<u>Mark</u>	<u>Country</u>	<u>Registration No.</u>	<u>Date Issued</u>
Dermaflex	UK	B1581514	11/24/95
Vizilite	China	3139547	6/7/03
	Europe	2535821	6/12/03
	Hong Kong	14187/2002	10/9/01
	Korea	556150	8/12/03
	Taiwan	1028311	12/31/02
Zila	Australia	644842	6/3/96
	Austria	156.769	2/15/95
	Benelux	563765	9/1/95
	Canada	TMA387461	8/9/91
	Denmark	VR 2002 02123	6/14/02
	Finland	224942	8/30/02
	France	94/554.771	11/16/94
	Ireland	16 93 17	11/7/94
	Italy	690795	10/21/96
	Switzerland	427836	11/4/94
	UK	2001980	3/8/96
Ziliva	Singapore	T01/18698F	11/1/01
	Taiwan	1014337	9/16/02
Visilight	Japan	2640131	3/30/94