

09-27-2004

U.S. DEPARTMENT OF COMMERCE
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To the Director of the U.S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies)/Execution Date(s):

TERRY JAY O'CONNOR

Execution Date(s) September 2, 2004

Additional name(s) of conveying party(ies) attached? ☐ Yes ☐ No

3. Nature of conveyance:

- ☐ Assignment ☐ Merger
☒ Security Agreement ☐ Change of Name
☐ Government Interest Assignment
☐ Executive Order 9424, Confirmatory License
☐ Other _____

2. Name and address of receiving party(ies)

Name: Merrill Lynch Business Financial
Internal Address: Services, Inc.

18th Floor

Street Address: 222 North LaSalle Street

City: Chicago

State: Illinois

Country: U.S.A. Zip: 60601

Additional name(s) & address(es) attached? ☐ Yes ☒ No

4. Application or patent number(s):

☐ This document is being filed together with a new application.

A. Patent Application No.(s)

US 6,349,709 B1

B. Patent No.(s)

Additional numbers attached? ☐ Yes ☒ No

5. Name and address to whom correspondence concerning document should be mailed:

Name: Catherine Briick

Internal Address: Merrill Lynch Business
Financial Services, Inc. 18th Floor

Street Address: 222 North LaSalle Street

City: Chicago

State: Illinois Zip: 60601

Phone Number: (312) 269-4434

Fax Number: (312) 499-3252

Email Address: _____

6. Total number of applications and patents involved:

1

7. Total fee (37 CFR 1.21(h) & 3.41) \$ 40.00

- ☐ Authorized to be charged by credit card
☐ Authorized to be charged to deposit account
☒ Enclosed
☐ None required (government interest not affecting title)

8. Payment Information

a. Credit Card Last 4 Numbers _____
Expiration Date _____

b. Deposit Account Number _____
Authorized User Name _____

9. Signature:

Signature

9/17/04
Date

Robert E. Stenson

Name of Person Signing

Total number of pages including cover sheet, attachments, and documents:

9

Documents to be recorded (including cover sheet) should be faxed to (703) 306-5995, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O.Box 1450, Alexandria, V.A. 22313-1450

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PATENT
REEL: 015810 FRAME: 0201

RECORDING REQUESTED BY:

Merrill Lynch Business Financial Services, Inc.
222 North La Salle Street
18th Floor
Chicago, IL 60601
Attn: Catherine Briick

PATENT SECURITY AGREEMENT

THIS PATENT SECURITY AGREEMENT ("Agreement") dated as of September 2, 2004 is made by Terry Jay O'Connor, an individual ("Grantor"), as assignee of Joseph G. Evert and Terry J. O'Connor ("Inventors"), having his principal place of residence at 2366 N. Springwinds Lane, Orange, California 92867 in favor of Merrill Lynch Business Financial Services, Inc. ("Lender"), located at 222 North LaSalle Street, 18th Floor, Chicago, Illinois 60601.

R E C I T A L S:

A. Grantor is the majority shareholder of Python Injection, Inc. ("Borrower") which is indebted to the Lender pursuant to the following loan documents:

i. That certain WCMA Loan and Security Agreement No. 223-07V61 dated as of June 20, 2002 between Lender and Borrower, as thereafter supplemented, renewed, extended or otherwise amended (the "WCMA Loan Agreement");

ii. That certain Term Loan and Security Agreement dated as of June 20, 2002 between Lender and Borrower, as thereafter supplemented, renewed, extended or otherwise amended (the "Term Loan Agreement");

iii. That certain Collateral Installment Note in the original amount of \$400,000.00 dated as of June 20, 2002 between Lender and Borrower (the "Term Note");

iv. That certain WCMA Termination and Payment Plan dated as of March 23, 2004 among Lender, Borrower and Grantor (the "Termination Agreement").

B. Grantor executed those certain Unconditional Guaranties dated as of June 20, 2002 in favor of Lender for the WCMA Loan Agreement, Term Loan Agreement and Term Note (the "Guaranties").

C. Grantor and Borrower (hereinafter collectively referred to as "Obligors") have executed that certain modification to Loan Documents (the "Modification Agreement") dated August 10, 2004 modifying the terms and conditions of those documents listed above in Recitals A and B.

D. For purposes of this Agreement, the WCMA Loan Agreement, the Term Loan Agreement, the Term Note, the Termination Agreement, the Guaranties, the Modification Agreement and any other subsequent addendums, amendments, modifications, extensions, supplements or novations shall be collectively referred to as the "Loan Documents.")

E. The obligations of Obligors to Lender are secured by all of Obligors' right, title and interest in certain personal property collateral as provided under the Loan Documents.

F. Pursuant to the Modification Agreement, Grantor has agreed, inter alia, to grant Lender a security interest in certain general intangibles including the Intellectual Property Collateral (hereinafter defined).

NOW, THEREFORE, in consideration of the promises and the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor agrees as follows:

1. Defined Terms. The following terms shall have the following meanings (such meanings being equally applicable to both the singular and plural forms of the terms defined):

a. "Agreement" means this Patent Security Agreement, as the same may from time to time be amended, modified or supplemented.

b. "Intellectual Property Collateral" has the meaning assigned to such term in Section 2 of this Agreement.

c. "Patents" means patents registered in the United States or elsewhere, applications therefor and any and all (i) renewals thereof, (ii) income, royalties, damages and payments now or hereafter due or payable or both with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (iii) rights to sue for past, present, or future infringements thereof, and (iv) rights corresponding thereto throughout the world.

d. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole, including any and all Exhibits and Schedules hereto, and not to any particular section, subsection or clause contained in this Agreement.

Any capitalized terms not otherwise defined in the Agreement shall have the meaning assigned to such terms in the Loan Documents.

2. Grant of Security Interest. In order to secure the complete and due and punctual payment of all of the obligations of the Obligors to the Lender, Grantor hereby grants and conveys to the Lender as collateral security, a continuing security interest in all of Grantor's entire rights, title and interest in and to intellectual property rights now owned or existing and hereafter acquired or arising in all Patents of the Grantor including, without limitation, the patent listed on Schedule A hereto (all of which being hereinafter shall referred to as the "Intellectual Property Collateral"); provided, however, that nothing hereunder constitutes or shall be deemed to constitute the grant of a security interest in favor of the Lender with respect to any Intellectual Property Collateral to the extent prohibited by applicable law.

3. Representations and Warranties; New Intellectual Property.

a. Grantor represents and warrants that he has the full right and power to grant the security interests provided for in this Agreement (subject to the exceptions contained herein) in the Patents made hereby; that he has made no previous assignment, transfer or agreements in conflict herewith or constituting an assignment of, a transfer of or an encumbrance on any of the Patents. Grantor further represents and warrants that (i) Schedule A lists all Patents owned by Grantor and which are material to any portion of Obligors' businesses or any of Obligors' subsidiaries or affiliates, and (ii) the Intellectual Property Collateral does not infringe upon any rights owned or possessed by any entity not a party to this Agreement. Grantor further represents that it does not own or utilize any trade secrets in connection with the operation of its business.

b. In the event, prior to the time the obligations of Obligors to the Lender have been indefeasibly paid in full, Grantor shall obtain any rights to or interests in any new inventions, whether or not patentable, and applications therefore, the provisions of this Agreement shall automatically apply thereto and anything enumerated in this Subsection 3(b) shall constitute Intellectual Property Collateral. Grantor shall give to the Lender prompt written notice thereof. Grantor agrees, promptly following the written request by the Lender, to amend this Agreement by amending any or all of Schedule A to include any such future trade secrets or Patents which would be Intellectual Property Collateral.

4. Rights and Remedies; Application of Monies.

a. Upon the occurrence and during the continuation of any Event of Default that occurs under the Loan Documents subsequent to the Effective Date of the Modification Agreement ("New Event of Default") any or all of Obligors' obligations to the Lender, the Lender may, to the fullest extent permitted by applicable law and without advertisement, hearing or process of law of any kind, (i) exercise any and all rights as beneficial and legal owner of the Intellectual Property Collateral, including, without limitation, any and all consensual rights and powers with respect to the Intellectual Property Collateral and (ii) sell or assign or grant a license or franchise to use, or cause to be sold or assigned or grant a license or franchise to use any or all of the Intellectual Property Collateral, in each case, free of all rights and claims of Grantor therein and thereto. Upon the occurrence and during the continuation of a default of any or all of

Obligors' obligations to the Lender, the Lender may (i) sell or assign the Intellectual Property Collateral, or any part thereof, for cash or upon credit as the Lender may deem appropriate or (ii) grant licenses or franchises or both to use the Intellectual Property Collateral on such terms and conditions that the Lender shall determine. In connection therewith, the Lender shall have the right to impose such limitations and restrictions on the sale or assignment of the Intellectual Property Collateral as the Lender may deem to be necessary or appropriate to comply with any law, rule or regulation (federal, state or local) having applicability to any such sale and requirements for any necessary governmental approvals.

b. Except as provided in this Section 4, Grantor hereby expressly waives, to the fullest extent permitted by applicable law, any and all notices, advertisements, hearings or process of law in connection with the exercise by the Lender of any of its rights and remedies hereunder. The Lender shall not be liable to any person for any incorrect or improper payment made pursuant to this Section 4, in the absence of willful misconduct.

c. Notwithstanding any provisions of this Agreement to the contrary, if, after giving effect to any sale, transfer, assignment or other disposition of any or all of the Intellectual Property Collateral pursuant hereto and after the application of the proceeds hereunder to the obligations of Obligors to the Lender, any said obligations remain unpaid or unsatisfied, Grantor shall remain liable for the unpaid and unsatisfied amount of such remaining obligations.

d. This Agreement is made to provide for and secure repayment of the obligations of Obligors to the Lender.

5. Termination of Security Interest. This Agreement and the security interests created or granted hereby or thereby, shall terminate when the later of the following shall have occurred:

a. the date that all of the obligations of Obligors to the Lender shall have been fully and indefeasibly paid and satisfied; and

b. the date as of which the last of the commitments and related documents and instruments have terminated with respect to the Loan Documents. After such termination, the Lender (without recourse upon, or any warranty whatsoever by Lender), shall execute and deliver to Grantor for filing in each office in which any security agreement, notice or other filing, or any part thereof, shall have been filed, an instrument releasing the Lender's security interest in the Intellectual Property Collateral, and such other documents and instruments to terminate any security interest of the Lender granted hereby as the Grantor may reasonably request, all without recourse upon, or warranty whatsoever by Lender (except that the same shall be free and clear of any claims, liens or encumbrances created by or in respect of the Lender) and all at the cost and expense of Grantor.

6. Use and Protection of Intellectual Property Collateral. Notwithstanding anything to the contrary contained herein, unless a New Event of Default has occurred and is continuing, Grantor may continue to exploit, license, franchise, use, enjoy and protect (whether in the United States of America or any foreign jurisdiction) the Intellectual Property Collateral in the ordinary course of business and the Lender shall from time to time execute and deliver, upon written request of Grantor and at Grantor's sole cost and expense, any and all instruments, certificates or other documents, in the form so requested, necessary or appropriate in the judgment of Grantor to enable Grantor to do so.

7. Duties of Grantor. Grantor shall have the duty to preserve and maintain all rights in the Intellectual Property Collateral with respect to which a failure to be able to continue to use the same would have a material adverse effect on the ownership, operation or maintenance of the Obligors' businesses and operations, in a manner substantially consistent with present practices and shall take all action reasonably requested by the Lender to register their record and/or perfect the Lender's right hereunder.

8. The Lender's Right to Sue. Whenever Grantor shall have defaulted in any or all of its obligations to the Lender, the Lender shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce the Patents and if the Lender shall commence any such suit, Grantor shall, at the request of the Lender, do any and all lawful acts and execute any and all proper documents required by the Lender in aid of such enforcement.

9. No Waiver; Cumulative Remedies. No failure on the part of the Lender to exercise, and no delay on the part of the Lender in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Lender preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies that may be available to the Lender whether at law, in equity or otherwise.

10. Notices, etc. All notices or other communications required hereunder shall be in writing, and shall be personally delivered (including by means of professional messenger service or overnight courier service utilizing delivery confirmations) or sent by facsimile, receipt confirmed, and shall be deemed received upon the date of receipt thereof.

To Lender: Merrill Lynch Business
Financial Services, Inc.
222 North LaSalle Street
18th Floor
Chicago, Illinois 60601
Fax: (312) 499-3252
Attention: Catherine Briick

With a copy to: Merrill Lynch, Pierce, Fenner & Smith, Inc.
Office of General Counsel
222 Broadway
14th Floor
New York, NY 10038
Attention: Tom Mullaney, Esq.

To Grantor: Terry Jay O'Connor
2366 N. Springwinds Lane
Orange, California 92867
Fax: ()

11. Expenses of Collection. Grantor hereby agrees to pay all expenses of the Lender, including reasonable attorneys' fees, incurred with respect to the collection of any of the Intellectual Property Collateral and the enforcement of the rights of the Lender hereunder which expenses together with interest thereon, at the rate provided in the Modification Agreement, shall constitute obligations of Grantor to the Lender hereunder and secured hereby.

12. Attorney-in-Fact. Grantor hereby irrevocably constitutes and appoints the Lender and any officer or agent thereof, with full power of substitution, as Grantor's true and lawful attorney-in-fact, for the purpose of taking such action and executing agreements, instruments and other documents, in the name of Grantor or otherwise, not inconsistent with the express provisions of this Agreement, as the Lender may deem necessary or advisable to accomplish the purposes hereof, which appointment is an agency coupled with an interest and is irrevocable until payment in full of all obligations of Obligors' to the Lender. The Lender agrees that except upon the occurrence and during the continuation of an Event of Default, it will forbear from exercising the power of attorney or any rights granted to the Lender pursuant to this Section 12.

13. Agreement Governing Law; Binding Character; Assignment. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois, without regard to principles of conflicts of law. This Agreement shall be binding upon Grantor and the Lender and their respective successors and assigns and shall inure to the benefit of Grantor and the Lender, and their respective successors and assigns; provided, however, that Grantor may not assign its rights or obligations hereunder or in connection herewith or any interest herein (voluntarily, by operation of law or otherwise) without the prior written consent of the Lender. No other person (including, without limitation, any other creditor of Grantor) shall have any interest herein or any right or benefit with respect hereto and this Agreement shall not be construed so as to confer any right or benefit upon any person other than the parties to this Agreement and each of their respective successors and assigns.

14. Further Indemnification. Grantor agrees to pay, and save the Lender harmless from, any and all liabilities with respect to, or resulting from any delay in paying (other than a delay caused by the willful misconduct of the Lender), any and all excise, sales or other similar taxes which may be payable with respect to the Intellectual

Property Collateral or in connection with any of the transactions contemplated by this Agreement.

15. WAIVER OF JURY TRIAL. GRANTOR HEREBY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY OF THE OTHER DOCUMENTS RELATED TO THE LOAN DOCUMENTS, INCLUDING, WITHOUT LIMITATION, ANY CLAIMS OR COUNTERCLAIMS GROUNDED IN CONTRACT OR TORT.

16. Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

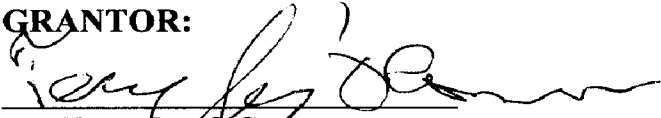
17. Conflicts. In the event there is a conflict in any term, condition or provision of this Agreement and the Loan Documents, as it relates to the Intellectual Property Collateral, the term, condition or provision of this Agreement, as applicable, shall control.

18. Headings. Paragraph and section headings used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

19. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute one and the same Agreement.

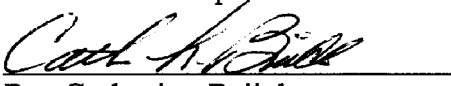
IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

GRANTOR:


By: Terry Jay O'Connor
"Lender"

LENDER:

Merrill Lynch Business Financial Services, Inc.
a Delaware corporation


By: Catherine Briick
Vice President

SCHEDULE A

PATENTS

Number	Description
1.	United States Patent No. US6,349,709 B1 Date of Patent: February 26, 2002 Inventors: Joseph G. Evert and Terry J. O'Connor Assignee: Terry Jay O'Connor