

PATENT ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY AGREEMENT
CONVEYING PARTY DATA	
Name	Execution Date
S&M NUTEC, L.L.C.	03/07/2005
RECEIVING PARTY DATA	
Name:	PILL POCKETS, INC.
Street Address:	5132 DEPARTURE DRIVE
City:	RALEIGH
State/Country:	NORTH CAROLINA
Postal Code:	27616
PROPERTY NUMBERS Total: 2	
Property Type	Number
Patent Number:	4857333
Patent Number:	6143316
CORRESPONDENCE DATA	
Fax Number:	(919)821-6800
<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>	
Phone:	9198211220
Email:	gadams@smithlaw.com
Correspondent Name:	Geoffrey W. Adams
Address Line 1:	2500 Wachovia Capitol Center
Address Line 4:	Raleigh, NORTH CAROLINA 27601
NAME OF SUBMITTER:	Geoffrey W. Adams

Total Attachments: 8
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COLLATERAL PATENT ASSIGNMENT

This Collateral Patent Assignment (this "Assignment") is made as of March 7, 2005, by S&M NuTec, L.L.C., a Missouri limited liability company ("Assignor"), to PILL POCKETS, INC., a North Carolina corporation ("Assignee").

RECITALS

WHEREAS, Assignor and Assignee are parties to (1) that certain Asset Purchase Agreement, dated as of the date hereof (the "Purchase Agreement") which provides for the transfer of the Assets (as defined in the Purchase Agreement) from the Assignee to the Assignor, (2) that certain Promissory Note, dated as of the date hereof (the "Promissory Note"), under which the Assignor agrees to pay the Assignee \$2.1 million, and (3) that certain Security Agreement, dated as of the date hereof, by which Assignor has granted to Assignee a security interest in the Assets as security for Assignor's Obligations (as defined therein) to Assignee.

WHEREAS, Assignee has required, as a condition to its acceptance of the Promissory Note from the Assignor, and to perfect Assignee's security interest in the Assets, that Assignor execute and deliver to Assignee this Assignment;

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

1. Incorporation of Note and Security Agreement. The Promissory Note and the Security Agreement and the terms and provisions thereof are hereby incorporated herein in their entirety by this reference. Terms used herein that are not defined in this Agreement shall have the meanings ascribed to them in the Security Agreement.

2. Collateral Assignment of Patents. To secure the complete and timely satisfaction of the Obligations and to perfect Assignee's continuing security interest in the Collateral, Assignor hereby grants, conveys, and assigns to Assignee, as and by way of a first mortgage and security interest having priority over all other security interests, with power of sale, to the extent permitted by law, upon the occurrence and during the continuation of an Event of Default (as defined in the Promissory Note and hereinafter called an "Event of Default") all of Assignor's right, title and interest in and to all of its now owned or existing and filed and hereafter acquired or arising and filed:

(a) patents and patent applications (including, without limitation, the inventions, discoveries, processes, methods and improvements thereof disclosed and/or claimed therein) listed on Schedule A attached hereto (hereinafter, collectively, called "Initial Patents");

(b) all reissues, re-examinations, divisionals, continuations, renewals, extensions and continuations-in-part, and substitute specifications (under Rule 1.125) of any of the Initial Patents and all patents and/or patent applications that claim priority to any of the Initial Patents or through which any of the Initial Patents claim priority;

(c) all patents issued to or in the name of (as inventor or assignee thereof), and patent applications filed by or on behalf of, Assignor that directly or indirectly relate to the Business (as defined in the Purchase Agreement).

(d) all foreign counterparts of any and all of the patents and/or patent applications described in Sections 2(a)-(c) (all patents and patent applications in Sections 2(a)-(d) hereinafter, collectively, "Patents");

(e) all income, royalties, damages, and payments now and hereafter due and/or payable under and with respect to the Patents, including (without limitation) damages and payments for past or future infringements of any and all of the Patents;

(f) the right to sue and recover for past, present, and future infringements of any and all of the Patents;

(g) all rights corresponding to the Patents throughout the world; and

(h) all other proceeds and products arising out of or relating to the subject matter of Sections 2(a)-(g), including (without limitation) any rights pursuant to Assignor's agreements with any other party relating thereto;

(all right, title, and interest in and to the subject matter described in this Section 2, collectively, the "Patent Rights").

3. Restrictions on Future Agreements. Assignor agrees that, until the Obligations are satisfied in full and the Promissory Note and Security Agreement terminated, and except as may otherwise be provided in the Promissory Note and Security Agreement, Assignor shall not, without Assignee's prior written consent:

(a) enter into any agreement (for example, a license agreement) that is inconsistent with Assignor's obligations under this Assignment; or

(b) take any action, or permit any action to be taken by others subject to its control, including licensees, or fail to take any action if doing so or not doing so would impair the validity or enforcement of the Patent Rights.

4. New Patents and Licenses. If, after the effective date of this Assignment and before the Obligations are satisfied in full, Assignor obtains rights to any Patents, the provisions of Section 2 above shall automatically apply thereto, Assignor shall promptly give Assignee written notice thereof, and Schedule A hereof shall automatically be deemed amended to include such rights.

5. Royalties; Terms. Assignor hereby agrees that the use by Assignee of the Patent Rights shall be worldwide and without any liability or accounting for royalties, payments, compensation, income, or other related charges from Assignee to Assignor. The term of the

assignments granted herein shall extend until the earlier of (a) the expiration of all Patent Rights or (b) payment in full of the Obligations and termination of the Promissory Note and Security Agreement.

6. Grant of License to Assignor. Assignee hereby grants to Assignor the royalty-free, exclusive, nontransferable right and license to make, have made, use, license for use only on behalf of Assignor, for Assignor's own benefit and account and for none other, the inventions disclosed and claimed in the Patents (subject to Section 3 hereof). Such right and license shall be exercisable by Assignor only until the occurrence of an Event of Default. Except as otherwise permitted by the Promissory Note, Assignor agrees not to sell or assign its interest in, or grant any sublicense under, the right and license granted to Assignor in this Section without the prior written consent of Assignee.

7. Termination of Assignee's Security Interest. This Assignment is made for collateral purposes only. Upon payment in full of the Obligations, all remaining right, title, and interest in and to the Patent Rights shall automatically revert to Assignor. In such event, Assignee shall execute and deliver to Assignor all termination statements and other instruments as may be necessary or proper to terminate Assignee's security interest in and to revert in Assignor all right, title, and interest in and to the Patent Rights, subject to any prior disposition thereof that may have been made by Assignee pursuant hereto or pursuant to the Promissory Note.

8. Duties of Assignor. Until the Obligations are satisfied in full, Assignor shall

(a) prosecute diligently any patent application included in the Patent Rights pending as of the date hereof or hereafter filed; and

(b) preserve, maintain, and enforce against infringement, misappropriation, or other violation all Patent Rights.

Any expenses incurred in connection with such applications shall be borne by Assignor. Assignor shall not abandon any pending patent application or issued patent without the written consent of Assignee, which consent shall not be unreasonably withheld.

9. Assignee's Right to Sue. After the occurrence of an Event of Default and so long as such Event of Default has not been waived, and after the provision by Assignee of written notice to Assignor of Assignee's intention to enforce its rights and claims in the Patent Rights, Assignee shall have the right, but shall in no way be obligated, to bring suit and take other action in its own name to enforce or otherwise protect, preserve, or realize upon the Patent Rights. If Assignee shall commence any such suit or take any such action, Assignor shall, at the request of Assignee, do any and all lawful acts and execute any and all proper documents required by Assignee in aid of such action. Assignor shall, upon demand, reimburse and indemnify Assignee for all costs and expenses incurred by Assignee in the exercise of its rights under this Section 9.

10. Indemnification. Assignor shall indemnify and defend Assignee and its directors, officers, employees and agents (each an "Indemnified Party") from, and hold each Indemnified Party harmless from and against, any and all liabilities, losses, costs and expenses (including,

without limitation, reasonable attorneys' fees, disbursements of counsel, and expenses of litigation or preparation therefor), claims, demands, suits and damages that may be asserted or imposed against, or suffered by, such Indemnified Party to the extent caused by breach of any representation or warranty of Assignor herein, or the failure by Assignor to perform any of its covenants or obligations set forth herein; provided, however, that Assignor shall have no obligation to indemnify an Indemnified Party in respect of the foregoing to the extent the same shall primarily be caused by the gross negligence or willful misconduct of such Indemnified Party.

11. Waivers. No course of dealing between Assignor and Assignee, nor any failure to exercise or delay in exercising, on the part of the Assignee, any right, power, or privilege hereunder or under the Promissory Note or Security Agreement shall operate as a waiver thereof. No single or partial exercise of any right, power, or privilege hereunder or under the Promissory Note or Security Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power, or privilege.

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

13. Modification. This Assignment cannot be altered, amended, or modified in any way, except as specifically provided with respect to the additions referred to in Section 4 hereof or by a writing signed by the parties hereto.

14. Cumulative Remedies. All of Assignee's rights and remedies with respect to the Patent Rights, whether established hereby or by the Security Agreement or Promissory Note, or by any other agreements or by law, shall be cumulative and may be exercised individually or concurrently. Assignee shall have, in addition to all other rights and remedies given it by the terms of this Assignment, all rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Patent Rights may be enforced.

15. Power of Attorney. Assignor hereby authorizes Assignee to:

(a) make, constitute, and appoint any representative of Assignee as Assignee may select, in its sole discretion, as Assignor's true and lawful attorney-in-fact, with power to endorse Assignor's name on all applications, documents, papers, and instruments necessary or desirable for Assignee to give effect to the provisions of this Assignment and the intent of the parties hereto, including without limitation any and all documents in connection with recording this Assignment and/or the Security Agreement in the United States Patent and Trademark Office and other governmental offices in Assignee's sole and exclusive discretion;

(b) take any other actions with respect to the Patent Rights, consistent with this Assignment, as Assignee deems in the best interest of Assignee;

(c) following the occurrence of an Event of Default, grant or issue any exclusive or nonexclusive license under the Patent Rights to anyone; or

(d) following the occurrence of an Event of Default, subject to the terms of any existing license agreement, assign, pledge, convey, or otherwise transfer title in or dispose of the Patent Rights to anyone.

Assignee hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable until the Obligations are satisfied in full and the Promissory Note and Security Agreement are terminated.

16. Binding Effect; Benefits. This Assignment shall be binding upon Assignor and its successors and assigns and shall inure to the benefit of Assignee, its nominees, successors, and assigns.

17. Governing Law. This Assignment shall be deemed to have been executed and delivered in the State of North Carolina, and shall be governed by and construed in accordance with the internal laws (as opposed to conflicts of law provisions) of the State of North Carolina.

[END OF PAGE; SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Assignor has caused this Assignment to be duly executed as of the date first above written.

S&M NuTec, L.L.C.,
a Missouri limited liability company

By: Joseph C. Roetheli
Name: Joseph C. Roetheli
Title: CEO

State of Missouri

County of Jackson

I, Becky L. Bryan, a Notary Public for said County and State, do hereby certify that Joseph C. Roetheli, CEO of S&M NuTec, L.L.C., a Missouri limited liability company, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the limited liability company.

Witness my hand and official seal or stamp, this the 7th day of March, 2005.

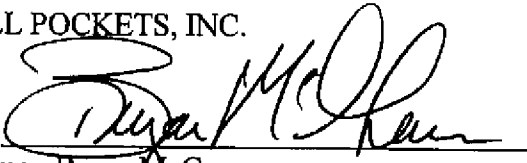
Becky L. Bryan
Notary Public

My Commission Expires:

12/05/07



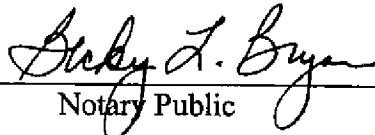
PILL POCKETS, INC.

By: 
Name: Bryan McGann
Title: President and Chief Executive Officer

State of Missouri

County of Jackson

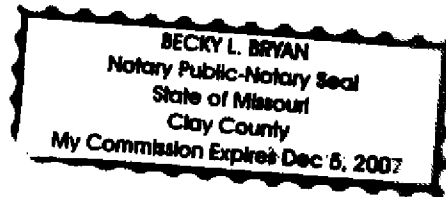
I, Becky L. Bryan, a Notary Public for said County and State, do hereby certify that Bryan McGann, President and Chief Executive Officer of Pill Pockets, Inc., a North Carolina corporation, personally appeared before me this day and acknowledged the due execution of the foregoing instrument on behalf of the corporation.


Notary Public

Witness my hand and official seal or stamp, this the 7th day of March, 2005.

My Commission Expires:

12/05/07



Schedule A

Patents

<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Inventor(s)</u>
Food Product for Administering Medication to Animals	4,857,333	August 15, 1989	Robert G. Harold
Digestible Pouch and Method for Administering Medications to Animals	6,143,316	November 7, 2000	Linda Hayden & Susan Foresman