


Form PTO-1595 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005)		RECORDATION FORM COVER SHEET PATENTS ONLY		U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office	
To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.					
1. Name of conveying party(ies): Teltronics, Inc.		2. Name and address of receiving party(ies) Name: CapitalSource Finance, LLC Internal Address: 12th Floor			
Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
3. Nature of conveyance: <input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other _____		Street Address: 4445 Willard Avenue City: Chevy Chase State: MD Zip: 20815			
Execution Date: July 6, 2005		Additional name(s) & address(es) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
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) _____ B. Patent No.(s) See Attached					
Additional numbers attached? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No					
5. Name and address of party to whom correspondence concerning document should be mailed: Name: Elizabeth Murray Paralegal Internal Address: Parker, Hudson, Rainer & Dobbs LLP Street Address: 1500 Marquis Two Tower 285 Peachtree Center Avenue, N.E. City: Atlanta State: GA Zip: 30303		6. Total number of applications and patents involved: 6			
		7. Total fee (37 CFR 3.41).....\$ 240.00 <input type="checkbox"/> Enclosed <input checked="" type="checkbox"/> Authorized to be charged to deposit account			
		8. Deposit account number: 502831			
DO NOT USE THIS SPACE					
9. Signature. Robert A. Crosby Name of Person Signing  Signature 7/13/05 Date					
Total number of pages including cover sheet, attachments, and documents: 11					

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

CH \$240.00 502831 4886769

EXHIBIT APatents

<u>Patent</u>	<u>Registration No.</u>	<u>Registration Date</u>
Station Controller for Enhanced Multi-Line Pick-Up in Centrex Exchange Telephone System	4 885,769	12/05/1989
Station Controller for Multi-Line Pick-Up and Automatic Monitoring of Telephone Station Moves	5 200,996	4/06/1993
Telephone Status Recognition and Bypass System	4,791,663	12/13/1988
Emergency Call Station Identification System and Method	5,235,630	8/10/1993
Apparatus & Method for Identifying a Calling Station	5,347,567	9/13/1994
Emergency Call Station Identification System	5,347,568	9/13/1994

PATENT SECURITY AGREEMENT

This PATENT SECURITY AGREEMENT (this "Agreement") is made this 6th day of July, 2005, between **CAPITALSOURCE FINANCE LLC**, a Delaware limited liability company having an office at 4445 Willard Avenue, 12th Floor, Chevy Chase, Maryland 20815 ("Lender"), and **TELTRONICS, INC.**, a Delaware limited liability company having its chief executive office at 2150 Whitfield Industrial Way, Sarasota, Florida 34243 (the "Company").

Recitals:

The Company desires to obtain loans and other financial accommodations from Lender pursuant to that certain Revolving Credit and Security Agreement dated the date hereof by and between the Company and Lender (hereinafter referred to, together with all amendments thereto, as the "Credit Agreement");

Lender is willing to make loans and other financial accommodations to the Company from time to time pursuant to the terms of the Credit Agreement, provided that the Company executes this Agreement.

NOW, THEREFORE, for Ten Dollars (\$10.00) in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company hereby agrees with Lender as follows:

1. Capitalized terms used herein (including those used in the Recitals hereto), unless otherwise defined, shall have the meanings ascribed to them in the Credit Agreement.

2. To secure the prompt payment and performance of the Obligations, the Company hereby grants, assigns and pledges to Lender, a continuing security interest in and Lien upon all of the following property of the Company, whether now existing or hereafter created or acquired (the "Patent Collateral"):

(a) the entire right, title and interest of the Company in and to the patent applications and patents listed in Exhibit A attached hereto (as the same may be amended from time to time), and all re-issues, divisions, continuations, renewals, extensions and continuations-in-part thereof, including, without limitation, the right to sue for past, present and future infringements and rights corresponding thereto throughout the world (all of the foregoing being herein collectively referred to as the "Patents"); and

(b) All proceeds of the foregoing (such as, by way of example, license royalties and proceeds of infringement suits).

3. The Company covenants with and warrants to Lender that:

(a) The Patents are subsisting and have not been adjudged invalid or unenforceable, in whole or in part;

(b) The Company is now and shall continue to be the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Patents, free and clear of any Liens other than Permitted Liens;

(c) The Company has the unqualified right to enter into this Agreement and perform its terms and, to the extent it deems reasonably necessary, has entered and will enter into written agreements with each of its present and future employees, agents and consultants which will enable it to comply with the covenants herein contained; and

(d) The Company has used, and will continue to use for the duration of this Agreement, proper statutory notice in connection with its use of the Patents and has made, and will continue to make, all appropriate filings with the United States Patent and Trademark Office to maintain the Patents in existence, including, without limitation, filing all necessary documents with the United States Patent and Trademark Office for each Patent to maintain it without loss of protection therefor.

4. Until all of the Obligations have been satisfied in full and the Credit Agreement has been terminated, the Company shall not enter into any license agreement relating to any of the Patents with any Person except non-exclusive licenses to customers of the Company in the regular and ordinary course of the Company's business as presently conducted and for reasonable and customary compensation, and shall not become a party to any agreement with any Person that is inconsistent with the Company's obligations under this Agreement.

5. If, before the Obligations shall have been satisfied in full, the Company shall obtain rights to any new patentable inventions, or become entitled to the benefit of any patent application or patent for any reissue, division, continuation, renewal, extension or continuation-in-part of any Patent or any improvement on any Patent, the provisions of paragraph 2 shall automatically apply thereto and the Company shall give to Lender prompt notice thereof in writing.

6. The Company irrevocably authorizes and empowers Lender to modify this Agreement by amending Exhibit A to include any future patents and patent applications within the definition of Patents under paragraph 2 or paragraph 5 hereof.

7. The Company hereby grants to Lender, and its employees and the right upon prior notice to the Company, and subject only to any obligations of confidentiality to which the Company, its employees and agents are then subject with respect thereto, to visit the Company's plants and facilities at which any patented inventions are located or which manufacture, inspect or store products made under any of the Patents and to inspect the products and quality control records relating thereto at reasonable times during regular business hours.

8. Upon and at any time after the occurrence of an Event of Default, Lender shall have, in addition to all other rights and remedies given it by this Agreement, all rights and remedies under Applicable Law and all rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, Lender may immediately, without demand of performance and without other notice (except as described in the next sentence, if required by

Applicable Law) or demand whatsoever to the Company, each of which the Company hereby expressly waives, and without advertisement (except as otherwise provided by Applicable Law), collect directly any payments due the Company in respect of the Patent Collateral, or sell at public or private sale or otherwise realize upon the whole or from time to time any of the Patent Collateral, or any interest which the Company may have therein. The Company hereby agrees that seven (7) days notice to the Company of any public or private sale or other disposition of any of the Patent Collateral shall be reasonable notice; provided, however, that no notice shall be required hereunder if not otherwise required by Applicable Law. At any such sale or disposition, Lender may, to the extent permitted by Applicable Law, purchase the whole or any part of the Patent Collateral sold, free from any right of redemption on the part of the Company, which right the Company hereby waives and releases. After deducting from the proceeds of such sale or other disposition of the Patent Collateral all costs and expenses incurred by Lender in enforcing its rights hereunder (including, without limitation, all attorneys' fees), Lender shall apply the remainder of such proceeds to the payment of the Obligations, in such order or manner as may be authorized or required by the Credit Agreement. Any remainder of the proceeds after payment in full of the Obligations shall be paid over to the Company. If any deficiency shall arise, the Company and each guarantor of the Obligations shall remain jointly and severally liable to Lender therefor.

9. The Company hereby makes, constitutes and appoints Lender, and any officer or agent of Lender as Lender may select, as the Company's true and lawful attorney-in-fact, with full power to do any or all of the following if an Event of Default shall occur and be continuing: to endorse the Company's name on all applications, documents, papers and instruments necessary for Lender to continue the maintenance of or to use the Patents, or to grant or issue any exclusive or nonexclusive license under the Patents to any other Person, or to assign, pledge, convey or otherwise transfer title in or dispose of any Patent Collateral to any other Person. The Company hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney, being coupled with an interest, shall be irrevocable until all of the Obligations shall have been satisfied in full and the Credit Agreement shall have been terminated.

10. At such time as all of the Obligations shall have been satisfied finally and in full and the Credit Agreement shall have been terminated, Lender shall execute and deliver to the Company, without representation, warranty or recourse and at the Company's expense, all releases and other instruments necessary to terminate Lender's security interest in the Patent Collateral, subject to any disposition thereof which may have been made by Lender pursuant to the terms of this Agreement, or any of the other Loan Documents.

11. Any and all fees, costs and expenses, of whatever kind or nature, (including, without limitation, reasonable attorneys' fees and legal expenses) incurred by Lender in connection with the preparation of this Agreement and any other documents relating hereto and the consummation of this transaction, the filing or recording of any documents (including, without limitation, all taxes in connection therewith) with the United States Patent and Trademark Office or in other public offices, the payment or discharge of any taxes, counsel fees, maintenance fees or Liens, or otherwise, in protecting, maintaining and preserving any Patent Collateral or in defending or prosecuting any actions or proceedings arising out of or related to any Patent Collateral, shall be borne and paid by the Company (it being the intent of the

Company and Lender that the Company shall be responsible for the payment of all sums, fees, costs and expenses, including, without limitation, all maintenance fees payable with respect to the Patents) or, if paid by Lender in its sole discretion, shall be reimbursed by the Company to Lender **on demand** by Lender and until so paid shall be added to the principal amount of the Obligations and shall bear interest at the highest per annum rate in effect from time to time under the Credit Agreement.

12. The Company shall use its best efforts to detect any infringers of the Patents and shall notify Lender in writing of infringements detected. The Company shall have the duty through counsel reasonably acceptable to Lender, to prosecute diligently any patent application for a Patent pending as of the date of this Agreement or thereafter until the Obligations shall have been paid in full and the Credit Agreement terminated, to make application on unpatented but patentable inventions (subject to Company's reasonable discretion in Ordinary Course of Business, or, during the existence of an Event of Default, promptly upon Lender's request), to file and prosecute opposition and cancellation proceedings, to file and prosecute lawsuits to protect the Patents and to do any and all acts which are deemed necessary or desirable by Lender to preserve and maintain all rights in patent applications for the Patents. Any expenses incurred in connection with such an application or proceedings shall be borne by the Company. The Company shall not abandon any pending patent application or patent, without the prior written consent of Lender.

13. Notwithstanding anything to the contrary contained in paragraph 12 hereof Lender shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce the Patents and any license hereunder, or to defend any suit or counterclaim in its own name to protect any Patents or license hereunder, in either of which events the Company shall at the request of Lender do any and all lawful acts (including bringing suit) and execute any and all proper documents required by Lender in aid of such enforcement or defense and the Company shall promptly, upon demand, reimburse and indemnify Lender for all costs and expenses incurred by Lender in the exercise of its rights under this paragraph 13.

14. If the Company fails to comply with any of its obligations hereunder, then to the extent permitted by Applicable Law, Lender may do so in the Company's name or in Lender's name, in Lender's sole discretion, but at the Company's expense, and the Company agrees to reimburse Lender in full for all expenses, including, without limitation, reasonable attorneys' fees, incurred by Lender in prosecuting, defending or maintaining the Patents or Lender's interest therein pursuant to this Agreement.

15. No course of dealing between the Company and Lender, nor any failure to exercise, nor any delay in exercising, on the part of Lender, any right, power or privilege hereunder or under any of the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or future exercise thereof or the exercise of any other right, power or privilege.

16. All of Lender's rights and remedies with respect to the Patent Collateral, whether established by this Agreement or any of the other Loan Documents, or by any other agreements or by Applicable Law, shall be cumulative and may be exercised singularly or concurrently.

17. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable, in whole or in part, in any jurisdiction, the same shall be deemed severed herefrom and shall not in any manner affect such clause or provisions in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

18. This Agreement, together with the other Loan Documents, constitutes and expresses the entire understanding of the parties hereto with respect to the subject matter hereof, and supercedes all prior agreements and understandings, inducements or conditions, whether express or implied, oral or written. This Agreement is subject to modification only by writing signed by the parties, except as provided in paragraph 6 hereof.


19. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the successors and assigns of Lender and upon the successors and permitted assigns of the Company. The Company shall not assign its rights or delegate its rights or assign its duties hereunder without the prior written consent of Lender.

20. The Company hereby waives notice of Lender's acceptance hereof.

21. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Maryland.

22. To the fullest extent permitted by Applicable Law, the Company and Lender each waives the right to trial by jury in any action, suit, proceeding or counterclaim of any kind arising out of or related to this Agreement or the Patent Collateral.

WITNESS the execution hereof under seal as of the day and year first above written.

TELTRONICS, INC.
("Company")
By: 
Name: Ewen R. Cameron
Its: President & CEO

Accepted:

CAPITALSOURCE FINANCE LLC
("Lender")

By: _____
Name: _____
Its: _____

17. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable, in whole or in part, in any jurisdiction, the same shall be deemed severed herefrom and shall not in any manner affect such clause or provisions in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

18. This Agreement, together with the other Loan Documents, constitutes and expresses the entire understanding of the parties hereto with respect to the subject matter hereof, and supercedes all prior agreements and understandings, inducements or conditions, whether express or implied, oral or written. This Agreement is subject to modification only by writing signed by the parties, except as provided in paragraph 6 hereof.

19. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the successors and assigns of Lender and upon the successors and permitted assigns of the Company. The Company shall not assign its rights or delegate its rights or assign its duties hereunder without the prior written consent of Lender.

20. The Company hereby waives notice of Lender's acceptance hereof.

21. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Maryland.

22. To the fullest extent permitted by Applicable Law, the Company and Lender each waives the right to trial by jury in any action, suit, proceeding or counterclaim of any kind arising out of or related to this Agreement or the Patent Collateral.

WITNESS the execution hereof under seal as of the day and year first above written.

TELTRONICS, INC.
("Company")
By: _____
Name: _____
Its: _____

Accepted:

CAPITALSOURCE FINANCE LLC
("Lender")
By: Keith D. Reuben
Name: KEITH D. REUBEN
Its: MANAGING DIRECTOR

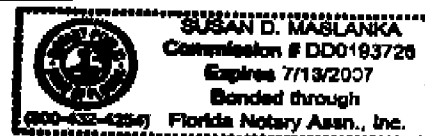
STATE OF Florida)
COUNTY OF Manatee)

BEFORE ME, the undersigned authority, on this day personally appeared Even R. Cameron, President + CEO of TeHronics, Inc., to me known to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 7 day of July, 2005.

Susan D. Maslanka
Notary Public
My Commission Expires:

[NOTARIAL SEAL]



STATE OF _____)
COUNTY OF _____)

BEFORE ME, the undersigned authority, on this day personally appeared _____ of _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this _____ day of July, 2005.

Notary Public
My Commission Expires:

[NOTARIAL SEAL]

STATE OF _____)
COUNTY OF _____)

BEFORE ME, the undersigned authority, on this day personally appeared _____, _____ of _____, to me known to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this ____ day of July, 2005.

Notary Public
My Commission Expires:

[NOTARIAL SEAL]

STATE OF Maryland)
COUNTY OF Calvert)

BEFORE ME, the undersigned authority, on this day personally appeared Keith D. Rember, Managing Director of CapitalSource Financial LLC known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this 7 day of July, 2005.

Leonor de Ruffien
Notary Public
My Commission Expires: 2/26/2008

[NOTARIAL SEAL]

EXHIBIT A

Patents

<u>Patent</u>	<u>Registration No.</u>	<u>Registration Date</u>
Station Controller for Enhanced Multi-Line Pick-Up in Centrex Exchange Telephone System	4,885,769	12/05/1989
Station Controller for Multi-Line Pick-Up and Automatic Monitoring of Telephone Station Moves	5,200,996	4/06/1993
Station Controller for Enhanced Multi-Link Pick-Up in Centrex Exchange Telephone System	2,006,335	12/21/2003 (Canada)
Telephone Status Recognition and Bypass System	4,791,663	12/13/1988
Emergency Call Station Identification System and Method	5,235,630	8/10/1993
Apparatus & Method for Identifying a Calling Station	5,347,567	9/13/1994
Emergency Call Station Identification System	5,347,568	9/13/1994