

PATENT ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT										
NATURE OF CONVEYANCE:	SECURITY AGREEMENT										
EFFECTIVE DATE:	07/23/2007										
CONVEYING PARTY DATA											
<table border="1"><thead><tr><th>Name</th><th>Execution Date</th></tr></thead><tbody><tr><td>Mr. VERGIL L DAUGHTERY III</td><td>07/23/2007</td></tr><tr><td>ECONOMIC INVENTIONS, LLC</td><td>07/23/2007</td></tr></tbody></table>		Name	Execution Date	Mr. VERGIL L DAUGHTERY III	07/23/2007	ECONOMIC INVENTIONS, LLC	07/23/2007				
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<table border="1"><tr><td>Name:</td><td>Mr. STEVEN M.H. WALLMAN</td></tr><tr><td>Street Address:</td><td>9332 RAMEY LANE</td></tr><tr><td>City:</td><td>GREAT FALLS</td></tr><tr><td>State/Country:</td><td>VIRGINIA</td></tr><tr><td>Postal Code:</td><td>22066</td></tr></table>		Name:	Mr. STEVEN M.H. WALLMAN	Street Address:	9332 RAMEY LANE	City:	GREAT FALLS	State/Country:	VIRGINIA	Postal Code:	22066
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PROPERTY NUMBERS Total: 1											
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CORRESPONDENCE DATA											
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NAME OF SUBMITTER:	MICHAEL P. FORTKORT										
Total Attachments: 22 source=executed revised agreement#page1.tif source=executed revised agreement#page2.tif											

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## **PLEDGE AND SECURITY AGREEMENT**

This PLEDGE AND SECURITY AGREEMENT (this "Security Agreement") is entered into as of July 23, 2007, by and between Economic Inventions LLC, a Georgia limited liability corporation ("EI") with its principal place of business at the location listed on the signature page hereto, Vergil Daughtery, an individual residing at the location listed on the signature page hereto ("Daughtery"), (EI and Daughtery collectively, and each individually, referred to herein as the "Debtor"), and Steven M.H. Wallman, an individual residing in the Commonwealth of Virginia (the "Secured Party").

### **PRELIMINARY STATEMENTS**

The Secured Party and EI and Daughtery have each individually and collectively have entered into a Loan Agreement of even date herewith (the "Loan Agreement"), pursuant to which the Secured Party has agreed to provide financing to or for the benefit of Debtor. To induce the Secured Party to enter into the Loan Agreement with Debtor, Debtor has agreed to enter into this Security Agreement on the terms set forth herein. The execution and delivery by Debtor of this Security Agreement is one of the conditions to the willingness of the Secured Party to enter into the Loan Agreement with Debtor.

ACCORDINGLY, EI and Daughtery, each individually and collectively (as Debtor hereunder), and the Secured Party hereby agree as follows:

### **ARTICLE I -- DEFINITIONS**

1.1. Terms Defined in Virginia Uniform Commercial Code. Terms defined in Title 8.9A of the Virginia UCC that are not otherwise defined in this Security Agreement are used herein as defined in the Virginia UCC.

1.2. Definitions of Certain Terms Used Herein. As used in this Security Agreement, in addition to the terms defined in the Preliminary Statements or Title 8.9A of the Virginia UCC, the following terms shall have the following meanings:

"Article" means a numbered article of this Security Agreement, unless another document is specifically referenced in connection therewith.

"Collateral" means, with respect to EI, all Accounts, Chattel Paper, Commercial Tort Claims, Documents, Equipment, Fixtures, General Intangibles, Instruments, Inventory, Investment Property, Pledged Deposits, Intellectual Property and Other Collateral, wherever located, in which EI now has or hereafter acquires any right or interest, and the proceeds (including Stock Rights), insurance proceeds and products thereof, together with all books and records, customer lists, credit files, computer files, programs, printouts and other computer materials and records related thereto, and with respect to Daughtery any and all rights and interests of any nature whatsoever, including economic interests, membership interests or units

or share interests, rights to indemnification or reimbursement, salary or compensation or other distribution or any other rights or value of any nature whatsoever in, resulting from, respecting, or arising in connection with, any ownership, activity or service on behalf of EI (but specifically not including any deduction, liability or set-off that EI or any third party may have against Daughtery), and including any and all rights and interests of any nature whatsoever, including as inventor, in and to any of the Borrower Intellectual Property (as defined in the Loan Agreement) (generally, such Other Collateral or Collateral is to include any and all property and assets of any nature whatsoever of Daughtery that relate in any way to EI, or expirationless options, or the patents and applications therefor for which Daughtery is "inventor").

"Commercial Tort Claims" means those certain currently existing commercial tort claims of the Debtor specifically described in Exhibit F.

"Control" shall have the meaning set forth in Title 8.8A or, if applicable, in Section 8.9A-104, 8.9A-105, 8.9A-106 or 8.9A-107, of the Virginia UCC.

"Default" means an event described in Section 5.1.

"Exhibit" refers to a specific exhibit to this Security Agreement, unless another document is specifically referenced.

"GAAP" means generally accepted accounting principles in the United States of America, consistently applied for the periods presented.

"Indebtedness" shall have the meaning set forth in the Loan Agreement.

"Intellectual Property" means trademarks, copyrights, patents, and applications therefor.

"Liens" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including the interest of a vendor or lessor under any conditional sale, capitalized lease or other title retention agreement).

"Loan Agreement" shall have the meaning set forth in the Preliminary Statements to this Security Agreement.

"Loan Documents" shall have the meaning set forth in the Loan Agreement.

"Obligations" shall have the meaning set forth in the Loan Agreement.

"Other Collateral" means any property of a Debtor not constituting Accounts, Chattel Paper, Commercial Tort Claims, Documents, Equipment, Fixtures, General Intangibles, Instruments, Inventory, Investment Property or Pledged Deposits under the Virginia UCC, including all cash on hand, letter-of-credit rights, letters of credit, Stock Rights and Deposit Accounts or other deposits (general or special, time or demand, provisional or final) with any bank or other financial institution, it being intended that the Collateral include all property and assets of any nature whatsoever of EI and all property and assets of any nature whatsoever of

Daughtery that relate in any way to EI or expirationless options or the patents and applications therefor for which Daughtery is "inventor".

"Permitted Liens" shall mean, collectively, the following:

- (i) Liens for taxes, assessments or governmental charges or levies on its property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which adequate reserves are made in accordance with generally accepted accounting principles.
- (ii) Liens created by this Security Agreement.

"Person" means any natural person, corporation, firm, joint venture, partnership, association, limited liability company, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"Pledged Deposits" means all time deposits of money (other than Deposit Accounts and Instruments), whether or not evidenced by certificates, which the Debtor may from time to time designate as pledged to the Secured Party as security for any Obligation, and all rights to receive interest on said deposits.

"Receivables" means the Accounts, Chattel Paper, Documents, Investment Property, Instruments or Pledged Deposits, and any other rights or claims to receive money which are General Intangibles or which are otherwise included as Collateral.

"Section" means a numbered section of this Security Agreement, unless another document is specifically referenced in connection therewith.

"Secured Obligations" means all Obligations and any and all existing and future Indebtedness, obligation and liability of every kind, nature and character, direct or indirect, absolute or contingent (including all renewals, extensions and modifications thereof and all fees, costs and expenses incurred by the Secured Party in connection with the preparation, administration, collection or enforcement thereof), of Debtor to the Secured Party, whether arising under or pursuant to this Security Agreement, the Loan Agreement or otherwise.

"Security" shall have the meaning set forth in Title 8.8A of the Virginia UCC.

"Stock Rights" means any securities, dividends or other distributions and any other right (including voting rights and rights to control or direct the affairs of such Person) or property which Debtor shall receive or shall become entitled to receive for any reason whatsoever with respect to, in substitution for or in exchange for any securities or other ownership interests in a corporation, partnership, joint venture or limited liability company constituting Collateral and any securities, any right to receive securities and any right to receive earnings, in which Debtor now has or hereafter acquires any right, issued by an issuer of such securities.

"Subsidiary" shall have the meaning set forth in the Loan Agreement.

“Unmatured Default” means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

“Virginia UCC” means the Virginia Uniform Commercial Code, Titles 8.1A through 8.9A of the Code of Virginia, as in effect from time to time.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

## **ARTICLE II -- GRANT OF SECURITY INTEREST**

EI and Daughtery each individually hereby pledges, assigns and grants to the Secured Party a security interest in its right, title and interest in and to the Collateral as granted by each respectively to secure the prompt and complete payment and performance of the Secured Obligations.

## **ARTICLE III -- REPRESENTATIONS AND WARRANTIES**

Debtor (each individually and collectively) represents and warrants to the Secured Party that:

3.1. Title, Authorization, Validity and Enforceability. EI and Daughtery have each individually good and valid rights in and the power to transfer the Collateral, and title to the Collateral, with respect to which it has granted a security interest hereunder, free and clear of all Liens except for Permitted Liens, and has full power and authority to grant to the Secured Party the security interest in such Collateral pursuant hereto. The execution and delivery by EI of this Security Agreement has been duly authorized by proper corporate proceedings. This Security Agreement constitutes a legal, valid and binding obligation of EI and Daughtery and creates a security interest which is enforceable against each in all now owned and hereafter acquired Collateral with respect to each. When financing statements have been filed in the appropriate offices against Debtor in the locations listed on Exhibit E, the Secured Party will have a fully perfected first priority security interest in (a) that Collateral in which a security interest may be perfected under Virginia law by filing and (b) in that Intellectual Property constituting Collateral in which a security interest may be perfected under federal law by filing, in the case of each (a) and (b), subject only to Permitted Liens.

3.2. Conflicting Laws and Contracts. Neither the execution and delivery by Debtor of this Security Agreement, the creation and perfection of the security interest in the Collateral granted hereunder, nor compliance with the terms and provisions hereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on Debtor (or, with regard to EI, its certificate of incorporation or operating agreement or by-laws or any other governing document), the provisions of any indenture or any instrument or agreement, to which Debtor is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien pursuant to the terms of any such indenture or any such instrument or agreement (other than any Lien of the Secured Party).

3.3. Type and Jurisdiction of Organization. EI is a limited liability company organized under the laws of the State of Georgia.

3.4. Principal Location. Both EI and Daughtery's mailing address and the location of its place of business (if it has only one) or its chief executive office (if it has more than one place of business) is disclosed in Exhibit A; each Debtor has no other places of business except those set forth in Exhibit A.

3.5. Property Locations. All material Inventory, Equipment and Fixtures are located solely at the locations described in Exhibit A.

3.6. No Other Names. Except as identified on Exhibit A, EI has not conducted business under any name, except the name in which it has executed this Security Agreement, which is the exact name as it appears in EI's organizational documents, as amended, as filed with EI's jurisdiction of organization.

3.7. No Default. No Default or Unmatured Default exists.

3.8. Accounts and Chattel Paper. EI does not currently have or own any Accounts or Chattel Paper except for any future receivable that relates to its license under the NexTrade agreement. As of the time when each Account or each item of Chattel Paper arises, the Debtor shall be deemed to have represented and warranted that such Account or Chattel Paper, as the case may be, and all records relating thereto, are genuine and in all respects what they purport to be.

3.9. Filing Requirements. EI neither owns nor leases any Equipment or Fixtures. None of the Collateral is of a type for which security interests or Liens may be perfected by filing under any U.S. federal statute except for patents, trademarks and copyrights held by EI and described in Exhibit B.

3.10. No Financing Statements. No financing statement describing all or any portion of the Collateral naming either the Debtor as debtor has been filed in any jurisdiction except (i) financing statements naming the Secured Party as the secured party and (ii) in connection with Permitted Liens.

3.11. Federal Employer Identification Number. EI's Federal employer identification number is set forth on Exhibit A.

3.12. State Organization Number. EI's State organization number is set forth on Exhibit A.

3.13. Pledged Securities and Other Investment Property. EI owns no Instruments, Securities or other Investment Property.

#### **ARTICLE IV -- COVENANTS**

From the date of this Security Agreement, and thereafter until this Security Agreement is terminated, Debtor covenants and agrees as follows:

#### 4.1. General.

4.1.1 Inspection. Debtor will permit the Secured Party, by its representatives and agents, no more than three times annually (unless there is a Default, in which case the Secured Party shall have unlimited opportunities) (i) to inspect the Collateral, (ii) to examine and make copies of the records of Debtor relating to the Collateral and (iii) to discuss the Collateral and the related records of Debtor with, and to be advised as to the same by, Debtor's officers and employees (and, following the occurrence of any Default, in the case of any Receivable, with any Person which is or may be obligated thereon), all at such reasonable times and intervals as the Secured Party may determine, and all at the Secured Party's reasonable expense, unless a Default shall have occurred in which case the expenses of such investigations shall be borne by Debtor.

4.1.2 Taxes. Debtor will pay when due all taxes, assessments and governmental charges and levies upon the Collateral, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside in accordance with GAAP; provided, that Debtor shall in any event pay such taxes, assessments and governmental charges and levies not later than five (5) days prior to the date of any proposed sale under any judgment, writ, or warrant of attachment entered or filed against Debtor or any of the Collateral as a result of the failure to make such payment.

4.1.3 Records and Reports. Debtor will maintain complete and accurate books and records with respect to the Collateral, and furnish to the Secured Party such reports relating to the Collateral as the Secured Party shall from time to time reasonably request.

4.1.4 Financing Statements and Other Actions; Defense of Title. Debtor hereby authorizes the Secured Party to file, and if requested will execute and deliver to the Secured Party, all financing statements and other documents, and take such other actions as may from time to time be reasonably requested by the Secured Party in order to maintain a perfected security interest in and, if applicable, Control of, the Collateral, subject only to Permitted Liens. Debtor will take any and all actions necessary to defend title to the Collateral against all Persons and to defend the security interest of the Secured Party in the Collateral and the priority thereof against any Lien not expressly permitted hereunder.

4.1.5 Disposition of Collateral. Debtor shall not sell, lease, hypothecate, transfer or otherwise dispose or lose control of any of the Collateral in any way or manner whatsoever. In addition, as cash shall be included as Collateral for EI, EI shall not make any payment to any person other than Secured Party without the explicit prior consent of Secured Party.

4.1.6 Liens. Debtor will not create, incur, or suffer to exist any Lien on the Collateral except the Permitted Liens.

4.1.7 Change in Corporate Existence, Type or Jurisdiction of Organization, Location, Name. Subject to the restrictions imposed on EI under Article V of the Loan Agreement, EI will:



- (i) preserve its existence as a limited liability company and not, in one transaction or a series of related transactions, merge into or consolidate with any other entity, or sell any of its assets;
- (ii) not transfer any Collateral to any Subsidiary or any other person;
- (iii) not change its jurisdiction of organization;
- (iv) not maintain its place of business (if it has only one) or its chief executive office (if it has more than one place of business) at a location other than a location specified on Exhibit A;
- (v) not (i) have any material amount of Inventory, Equipment or Fixtures or proceeds or products thereof (other than Inventory and proceeds thereof disposed of as permitted by Section 4.1.5) at a location other than a location specified in Exhibit A, (ii) change its name or taxpayer identification number or (iii) change its mailing address.

4.1.8 Other Financing Statements. Debtor will not sign or authorize the signing on its behalf or the filing of any financing statement naming it as debtor covering all or any portion of the Collateral, except in connection with Permitted Liens.

4.2. Receivables.

4.2.1 Certain Agreements on Receivables. EI will not make or agree to make any discount, credit, rebate or other reduction in the original amount owing on a Receivable or any rights it may have under any license or other agreement with any third party and will collect and enforce, at its sole expense, all amounts due or hereafter due to it under the Receivables, and will disclose immediately to Secured Party any dispute, setoff, claim, counterclaim or defense that exists or has been asserted or threatened with respect to any Receivable.

4.2.2 Delivery of Invoices. Debtor will deliver to the Secured Party, immediately upon its request after the occurrence of a Default, duplicate invoices with respect to each Account bearing such language of assignment as the Secured Party shall reasonably specify.

4.3. Inventory and Equipment.

4.3.1 Maintenance of Goods. The Debtor will do all things necessary to maintain, preserve, protect and keep any Inventory and any Equipment in good repair and working and saleable condition, ordinary wear and tear excepted.

4.3.2 Titled Vehicles. The Debtor will give the Secured Party notice of its acquisition of any vehicle covered by a certificate of title and deliver to the Secured Party, upon request, the original of any vehicle title certificate and do all things necessary to have the Lien of the Secured Party noted on any such certificate.

4.4. Instruments, Securities, Chattel Paper, Documents and Pledged Deposits. Debtor will (i) deliver to the Secured Party immediately upon execution of this Security Agreement the

originals of all Chattel Paper, Securities and Instruments constituting Collateral (if any then exist), (ii) hold in trust for the Secured Party upon receipt and immediately thereafter deliver to the Secured Party any Chattel Paper, Securities and Instruments constituting Collateral received by Debtor following the date hereof, (iii) upon the designation of any Pledged Deposits (as set forth in the definition thereof), deliver to the Secured Party such Pledged Deposits which are evidenced by certificates included in the Collateral endorsed in blank, marked with such legends and assigned as the Secured Party shall specify, and (iv) upon the Secured Party's request, after the occurrence and during the continuance of a Default, deliver to the Secured Party (and thereafter hold in trust for the Secured Party upon receipt and immediately deliver to the Secured Party) any Document evidencing or constituting Collateral.

4.5. Uncertificated Securities and Certain Other Investment Property. Debtor will take any actions necessary to cause (i) the issuers of uncertificated securities which are Collateral and which are Securities and (ii) any financial intermediary which is the holder of any Investment Property, to cause the Secured Party to have and retain Control over such Securities or other Investment Property. Without limiting the foregoing, Debtor will, with respect to Investment Property held with a financial intermediary, cause such financial intermediary to enter into a control agreement with the Secured Party, in form and substance satisfactory to the Secured Party.

4.6. Stock and Other Ownership Interests.

4.6.1 Registration of Pledged Securities and other Investment Property. Debtor will permit any registrable Collateral to be registered in the name of the Secured Party or its nominee at any time at the option of the Secured Party.

4.6.2 Exercise of Rights in Pledged Securities and other Investment Property.

- (i) Debtor will permit the Secured Party or its nominee at any time after the occurrence of a Default, upon written notice to the Debtor, to exercise all voting and corporate rights relating to the Collateral, including exchange, subscription or any other rights, privileges, or options pertaining to any corporate securities or other ownership interests or Investment Property in or of a corporation, partnership, joint venture or limited liability company constituting Collateral and the Stock Rights as if it were the absolute owner thereof. In addition, following the occurrence of a Default, (A) all rights of Debtor to receive dividends, distributions and other payments in respect of such Collateral shall become vested in the Secured Party, who shall thereupon have the sole right to receive and hold as Collateral such dividends, distributions and other payments; and (B) all such dividends, distributions and other payments in respect of such Collateral which are received by Debtor contrary to the provisions of clause (A) above shall be received in trust for the benefit of the Secured Party, shall be segregated from other funds of the Secured Party, and shall forthwith be paid over to the Secured Party as Collateral in the same form as so received (with any necessary endorsements).

- (ii) In order to permit the Secured Party to exercise the voting and other consensual rights which it may be entitled to exercise pursuant to Section 4.6.2 and to receive any sums which it may be entitled to receive under this Section 4.6.2, (A) Debtor shall, upon the occurrence of a Default, promptly execute and deliver (or cause to be executed and delivered) to the Secured Party all such proxies, dividend payment orders, and other instruments as the Secured Party may from time to time reasonably request, and (B) without limiting the effect of the immediately preceding clause (A), Debtor hereby grants to the Secured Party an irrevocable proxy, which may be exercised upon and during the continuance of a Default, to vote the Securities and other Investment Property constituting Collateral and to exercise all other rights, powers, privileges, and remedies to which a holder of such interests would be entitled (including giving or withholding written consents of stockholders, calling special meetings of stockholders, and voting at such meetings), which proxy shall be effective, automatically and without the necessity of any action by any other Person.

4.7. Pledged Deposits. Upon occurrence and during the continuance of any event of Default, Debtor will not withdraw all or any portion of any Pledged Deposit without the prior written consent of the Secured Party.

4.8. Deposit Accounts. Debtor will (i) upon the Secured Party's request, cause each bank or other financial institution in which it maintains a Deposit Account to enter into a control agreement with the Secured Party, in form and substance satisfactory to the Secured Party, in order to give the Secured Party Control of the Deposit Account and (ii) upon the Secured Party's request after the occurrence and during the continuance of a Default, deliver to each such bank or other financial institution a letter, in form and substance acceptable to the Secured Party, transferring ownership of the Deposit Account to the Secured Party until such time as no Default exists.

4.9. Letter-of-Credit Rights. Debtor will, upon the Secured Party's request, cause each issuer of a letter of credit to consent to the assignment of proceeds of the letter of credit in order to give the Secured Party Control of the letter-of-credit rights to such letter of credit.

4.10. Federal, State or Municipal Claims. Debtor will notify the Secured Party of any Collateral which constitutes a claim against the United States government or any state or local government or any instrumentality or agency thereof, the assignment of which claim is restricted by federal, state or municipal law.

4.11. Intellectual Property.

4.11.1 If, after the date hereof, Debtor obtains rights to, or applies for or seeks registration of, any new patentable invention, trademark or copyright used in the business of Debtor or any of its Subsidiaries in addition to the patents, trademarks and applications therefor and registered copyrights described Exhibit B, which are all of Debtor's patents, trademarks and applications therefor and registered copyrights as of the date hereof, then Debtor shall give the Secured Party notice thereof on a quarterly basis, and the security interest granted to the Secured Party hereunder shall automatically apply thereto. Debtor agrees promptly upon request by the

Secured Party to execute and deliver to the Secured Party any supplement to this Security Agreement or any other document reasonably requested by the Secured Party to evidence such security interest in a form appropriate for recording in the applicable federal office. Debtor also hereby authorizes the Secured Party to modify this Security Agreement unilaterally (i) by amending Exhibit B to include any future patents, trademarks and applications therefor and registered copyrights, regardless of whether the Secured Party receives notification from Debtor with respect thereto, and (ii) by recording, in addition to and not in substitution for this Security Agreement, a duplicate original of this Security Agreement containing in Exhibit B, or a different additional Security Agreement containing as an exhibit thereto, a description of such future patents, trademarks and applications therefor and registered copyrights.

4.12. Commercial Tort Claims. If, after the date hereof, Debtor identifies the existence of a commercial tort claim belonging to Debtor that has arisen in the course of Debtor's business in addition to the commercial tort claims described in Exhibit F, which are all of Debtor's commercial tort claims as of the date hereof, then Debtor shall give the Secured Party notice thereof on a quarterly basis. Debtor agrees promptly upon request by the Secured Party to execute and deliver to the Secured Party any supplement to this Security Agreement or any other document reasonably requested by the Secured Party to evidence the grant of a security interest therein in favor of the Secured Party.

## **ARTICLE V-- DEFAULT**

5.1. The occurrence of any one or more of the following events shall constitute a Default:

5.1.1 Any representation or warranty made by or on behalf of EI or Daughtery (Debtor) under or in connection with this Security Agreement shall be materially false as of the date on which made.

5.1.2 The breach by Debtor of any of the terms or provisions hereunder or the Loan Agreement or any Note issued by either EI or Daughtery in favor of Secured Party.

5.1.3 Any portion of the Collateral shall be transferred or otherwise disposed of, either voluntarily or involuntarily.

5.1.4 The declaration by the holder(s) thereof, without the consent or request of Debtor, of material Indebtedness (other than accounts payable, which will be paid by the Debtor on terms customary to the Debtor's industry) of the Debtor to be due, prepaid or repurchased (other than by a regularly scheduled payment or specified mandatory prepayment) prior to its stated maturity or any commitment to lend thereunder to be terminated prior to its stated expiration date due to the occurrence of a default (however characterized) by Debtor thereunder.

5.1.5 The occurrence of any default under the Loan Agreement or any other Loan Document that is not remedied within the applicable notice and cure period, if any.

5.2. Acceleration and Remedies. Upon the occurrence and during the continuance of a Default, the Secured Obligations shall immediately become due and payable without

presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, and the Secured Party may exercise any or all of the following rights and remedies:

5.2.1 Those rights and remedies provided in this Security Agreement; provided, that this Section 5.2.1 shall not be understood to limit any rights or remedies expressly available to the Secured Party prior to a Default.

5.2.2 Those rights and remedies available to a secured party under the Virginia UCC (whether or not the Virginia UCC applies to the affected Collateral) or under any other applicable law when a debtor is in default under a security agreement.

5.2.3 Without notice, except as specifically provided in Section 8.1 or elsewhere herein, sell, lease, assign, grant an option or options to purchase or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale, for cash, on credit or for future delivery, and upon such other terms as the Secured Party may deem commercially reasonable.

The Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral, and such compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

5.3. Debtor's Obligations Upon Default. Upon the request of the Secured Party after the occurrence of a Default, the Debtor will:

5.3.1 Assembly of Collateral. Assemble and make available to the Secured Party the Collateral and all records relating thereto at any place or places specified by the Secured Party.

5.3.2 Secured Party Access. Permit the Secured Party, by the Secured Party's representatives and agents, to enter any premises where all or any part of the Collateral, or the books and records relating thereto, or both, are located, to take possession of all or any part of the Collateral and to remove all or any part of the Collateral.

5.4. License. The Secured Party is hereby granted a license or other right to use, following the occurrence and during the continuance of a Default, without charge, Debtor's labels, patents, patent applications, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, domain names, customer lists and advertising matter, or any property of a similar nature or applications therefor, including any license rights or agreement rights, as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral, and, following the occurrence and during the continuance of a Default, Debtor's rights under all licenses and all franchise agreements shall inure to the Secured Party's benefit. In addition, Debtor hereby irrevocably agrees that the Secured Party may, following the occurrence and during the continuance of a Default, sell any of Debtor's Inventory directly to any Person, including Persons who have previously purchased Debtor's Inventory from the Debtor and in connection with any such sale or other enforcement of the Secured Party's rights under this Security Agreement, may sell Inventory which bears any trademark owned by or licensed to the Debtor and any Inventory that is covered by any copyright owned by or licensed

to the Debtor and the Secured Party may finish any work in process and affix any trademark owned by or licensed to Debtor and sell such Inventory as provided herein.

## **ARTICLE VI -- WAIVERS, AMENDMENTS AND REMEDIES**

No delay or omission of the Secured Party to exercise any right or remedy granted under this Security Agreement shall impair such right or remedy or be construed to be a waiver of any Default or an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude any other or further exercise thereof or the exercise of any other right or remedy. No waiver, amendment or other variation of the terms, conditions or provisions of this Security Agreement whatsoever shall be valid unless in writing signed by the Secured Party and then only to the extent in such writing specifically set forth. All rights and remedies contained in this Security Agreement or afforded by law shall be cumulative and all shall be available to the Secured Party until the Secured Obligations have been paid in full.

## **ARTICLE VII -- PROCEEDS; COLLECTION OF RECEIVABLES**

7.1. Collection of Receivables. The Secured Party may at any time after the occurrence and during the continuance of a Default, by giving Debtor written notice, elect to require that the Receivables be paid directly to the Secured Party. In such event, Debtor shall, and shall permit the Secured Party to, promptly notify the account debtors or obligors under the Receivables of the Secured Party's interest therein and direct such account debtors or obligors to make payment of all amounts then or thereafter due under the Receivables directly to the Secured Party. Upon receipt of any such notice from the Secured Party, Debtor shall thereafter hold in trust for the Secured Party all amounts and proceeds received by it with respect to the Receivables and Other Collateral and immediately and at all times thereafter deliver to the Secured Party all such amounts and proceeds in the same form as so received, whether by cash, check, draft or otherwise, with any necessary endorsements. The Secured Party shall hold and apply funds so received as provided by the terms of Section 7.2.

7.2. Application of Proceeds. The proceeds of the Collateral shall be applied by the Secured Party to payment of the Secured Obligations in the following order, unless a court of competent jurisdiction shall otherwise direct:

- (a) FIRST, to payment of all reasonable costs and expenses of the Secured Party incurred in connection with the collection and enforcement of the Secured Obligations or of the security interest granted to the Secured Party pursuant to this Security Agreement;
- (b) SECOND, to payment of that portion of the Secured Obligations constituting accrued and unpaid interest and fees;
- (c) THIRD, to payment of the principal of the Secured Obligations then due and unpaid from Debtor to the Secured Party;
- (d) FOURTH, to payment of any Secured Obligations (other than those listed above) then due and unpaid from Debtor to the Secured Party; and

(e) FIFTH, the balance, if any, after all of the Secured Obligations have been satisfied, shall be distributed by the Secured Party to the Debtor or at its direction.

## ARTICLE VIII -- GENERAL PROVISIONS

8.1. Notice of Disposition of Collateral; Condition of Collateral. Any notice made regarding Collateral shall be deemed reasonable if sent to Debtor, addressed as set forth in Article IX, at least ten business days prior to (i) the date of any such public sale or (ii) the time after which any such private sale or other disposition may be made. The Secured Party shall have no obligation to clean-up or otherwise prepare the Collateral for sale.

8.2. Compromises and Collection of Collateral. Debtor and the Secured Party recognize that setoffs, counterclaims, defenses and other claims may be asserted by obligors with respect to certain of the Receivables, that certain of the Receivables may be or become uncollectible in whole or in part, and that the expense and probability of success in litigating a disputed Receivable may exceed the amount that reasonably may be expected to be recovered with respect to a Receivable. In view of the foregoing, Debtor agrees that the Secured Party may at any time and from time to time, if a Default has occurred and is continuing, compromise with the obligor on any Receivable, accept in full payment of any Receivable such amount as the Secured Party in its reasonable discretion shall determine or abandon any Receivable, and any such action by the Secured Party shall be commercially reasonable so long as the Secured Party acts in good faith based on information known to it at the time it takes any such action.

8.3. Secured Party Performance of Debtor Obligations. Without having any obligation to do so, and for the avoidance of doubt Secured Party may do so or not in its absolute and sole discretion, the Secured Party may perform or pay any obligation which Debtor has agreed to perform or pay in this Security Agreement, and Debtor shall reimburse the Secured Party for any reasonable amounts paid by the Secured Party pursuant to this Section 8.3. Debtor's obligation to reimburse the Secured Party pursuant to the preceding sentence shall be a Secured Obligation payable on demand.

8.4. Authorization for Secured Party to Take Certain Action. Debtor irrevocably authorizes the Secured Party at any time and from time to time in the reasonable discretion of the Secured Party and appoints the Secured Party as its attorney in fact (i) to execute on behalf of Debtor as debtor and to file financing statements necessary or desirable in the Secured Party's sole discretion to perfect and to maintain the perfection and priority of the Secured Party's security interest in the Collateral; (ii) during and for so long as there exists any Default, to endorse and collect any cash proceeds of the Collateral; (iii) to file a carbon, photographic or other reproduction of this Security Agreement or any financing statement with respect to the Collateral as a financing statement and to file any other financing statement or amendment of a financing statement (which does not add new collateral or add a debtor) in such offices as the Secured Party in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Secured Party's security interest in the Collateral; (iv) to contact and enter into one or more agreements with the issuers of uncertificated securities which are Collateral and which are Securities or with financial intermediaries holding other Investment Property as may be necessary or advisable to give the Secured Party Control over such Securities or other Investment Property; (v) during and for so long as there exists any Default, to enforce

payment of the Receivables in the name of the Secured Party or the Debtor; (vi) during and for so long as there exists any Default, to apply the proceeds of any Collateral received by the Secured Party to the Secured Obligations as provided in Article VII; (vii) during and for so long as there exists any Default, to discharge past due taxes, assessments, charges, fees or Liens on the Collateral (except for such Liens as are specifically permitted hereunder); and (viii) during and for so long as there exists any Default, to obtain, adjust, settle, and cancel insurance policies and endorse any drafts, as provided under Section 4.3.2, and Debtor agrees to reimburse the Secured Party on demand for any payment made or any expense incurred by the Secured Party in connection therewith; provided, that this authorization shall not relieve Debtor of any of its obligations under this Security Agreement. Secured Party agrees not to exercise its rights under Section 8.4 (ii) and (v) prior to the occurrence of a Default.

8.5. Specific Performance of Certain Covenants. Debtor acknowledges and agrees that a breach of any of the covenants contained in this Agreement will cause irreparable injury to the Secured Party and that the Secured Party has no adequate remedy at law in respect of such breaches and therefore agrees, without limiting the right of the Secured Party to seek and obtain specific performance of other obligations of the Debtor contained in this Security Agreement, that the covenants of the Debtor contained in this Agreement shall be specifically enforceable against the Debtor.

8.6. Use and Possession of Certain Premises. Upon the occurrence and during the continuance of a Default, Debtor shall permit, and shall use reasonable efforts to cause any applicable landlord to permit, the Secured Party to occupy and use any premises owned or leased by Debtor where any of the Collateral or any records relating to the Collateral are located until the Secured Obligations are paid or the Collateral is removed therefrom, whichever first occurs, without any obligation to pay Debtor for such use and occupancy.

8.7. Dispositions Not Authorized. Debtor is not authorized to sell or otherwise dispose of the Collateral except as set forth in this Agreement or the Loan Agreement and, notwithstanding any course of dealing between Debtor and the Secured Party or other conduct of the Secured Party, no authorization to sell or otherwise dispose of the Collateral (except as set forth in this Agreement or the Loan Agreement) shall be binding upon the Secured Party unless such authorization is in writing signed by the Secured Party.

8.8. Benefit of Agreement. The terms and provisions of this Security Agreement shall be binding upon and inure to the benefit of Debtor and the Secured Party and their respective successors and assigns (including all Persons who become bound as a debtor to this Security Agreement), except that Debtor shall not have the right to assign its rights or delegate its obligations under this Security Agreement or any interest herein, without the prior written consent of the Secured Party.

8.9. Survival of Representations and Warranties. All representations and warranties of Debtor contained in this Security Agreement shall survive the execution and delivery of this Security Agreement.

8.10. Taxes and Expenses. Any taxes (including income taxes) payable or ruled payable by Federal or State authority in respect of this Security Agreement shall be paid by



Debtor, together with interest and penalties, if any. In the event of a Default, Debtor shall reimburse the Secured Party for any and all out-of-pocket expenses (including reasonable attorneys', auditors' and accountants' fees) paid or incurred by the Secured Party after a Default in connection with the preparation, execution, delivery, administration, collection and enforcement of this Security Agreement and in the audit, analysis, administration, collection, preservation or sale of the Collateral (including the expenses and charges associated with any periodic or special audit of the Collateral). Any and all costs and expenses incurred by Debtor in the performance of actions required pursuant to the terms hereof shall be borne solely by Debtor.

8.11. Headings. The title of and section headings in this Security Agreement are for convenience of reference only, and shall not govern the interpretation of any of the terms and provisions of this Security Agreement.

8.12. Termination. This Security Agreement shall continue in effect until the date the Loan Agreement has terminated pursuant to its express terms and all Secured Obligations thereunder have been indefeasibly paid and performed in full thereunder and thereafter shall immediately terminate.

8.13. Entire Agreement. This Security Agreement (inclusive of the Preliminary Statements) embodies the entire agreement and understanding between the Debtor and the Secured Party relating to the Collateral and supersedes all prior agreements and understandings between the Debtor and the Secured Party relating to the Collateral.

8.14. **CHOICE OF LAW. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS (BUT OTHERWISE WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE COMMONWEALTH OF VIRGINIA.**

8.15. Indemnity. Debtor hereby agrees to indemnify the Secured Party and its successors, assigns, agents and employees, from and against any and all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature (including all expenses of litigation or preparation therefor if the Secured Party is a party thereto) imposed on, incurred by or asserted against the Secured Party or its successors, assigns, agents and employees, in any way relating to or arising out of this Security Agreement, or the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Collateral (including latent and other defects, whether or not discoverable by the Secured Party or the Debtor, and any claim for patent, trademark or copyright infringement).

## **ARTICLE IX -- NOTICES**

9.1. Sending Notices. Except as otherwise provided herein, all notices, demands and requests that any party is required or elects to give to any other shall be in writing (including bank wire, facsimile transmission, electronic mail or similar writing) and any such notice shall become effective (a) upon personal delivery thereof, including delivery by overnight mail and courier service; or (b) if given by facsimile transmission or e-mail, when transmitted to the facsimile number or e-mail address, as applicable, specified on the signature pages hereto and

confirmation of receipt is received, in each case addressed to the party to be notified as follows (provided that no notice to the Secured Party shall be effective until actually received by it).

9.2. Change in Address for Notices. Each of the Debtor and the Secured Party may change the address for service of notice upon it by a notice in writing to the other party.

**REMAINDER OF PAGE INTENTIONALLY BLANK**

**[SEE EXECUTED SIGNATURE PAGE]**

IN WITNESS WHEREOF, each of EI and Daughtery, individually and collectively, as Debtor hereunder and the Secured Party have executed this Security Agreement as of the date first above written.

**DEBTOR:**

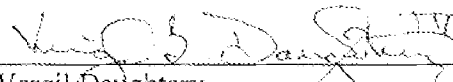
**ECONOMIC INVENTIONS, LLC**

By:   
Vergil Daughtery, Managing Director

Address of Economic Inventions, LLC:  
29 Thomas Coke Drive  
Waynesville, NC 28785-5911  
E-mail address: vladaughtery@aol.com

**DEBTOR:**

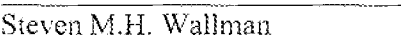
**VERGIL DAUGHTERY**

  
Vergil Daughtery

Address of Vergil Daughtery:  
29 Thomas Coke Drive  
Waynesville, NC 28785-5911  
E-mail address: vladaughtery@aol.com

**SECURED PARTY:**

**STEVEN M.H. WALLMAN**

  
Steven M.H. Wallman  
Address of Steven M.H. Wallman:  
9332 Ramey Lane  
Great Falls, Virginia 22066  
E-mail address: [wallmansteven@yahoo.com](mailto:wallmansteven@yahoo.com)

[SIGNATURE PAGE TO PLEDGE AND SECURITY AGREEMENT]

IN WITNESS WHEREOF, each of EI and Daughtery, individually and collectively, as Debtor hereunder and the Secured Party have executed this Security Agreement as of the date first above written.

**DEBTOR:**

**ECONOMIC INVENTIONS, LLC**

By: Vergil Daughtery III  
Vergil Daughtery, Managing Director

Address of Economic Inventions, LLC:  
29 Thomas Coke Drive  
Waynesville, NC 28785-5911  
E-mail address: vergil@xpoptions.com

**DEBTOR:**

**VERGIL DAUGHTERY**

Vergil Daughtery III  
Vergil Daughtery

Address of Vergil Daughtery:  
29 Thomas Coke Drive  
Waynesville, NC 28785-5911  
E-mail address: vlDaughtery@aol.com

**SECURED PARTY:**

**STEVEN M.H. WALLMAN**

Steven M.H. Wallman

Steven M.H. Wallman  
Address of Steven M.H. Wallman:  
9332 Ramey Lane  
Great Falls, Virginia 22066  
E-mail address: wallmansteven@yahoo.com

[SIGNATURE PAGE TO PLEDGE AND SECURITY AGREEMENT]

## **EXHIBIT A**

State of residence and address for:

Vergil Daughtery  
29 Thomas Coke Drive,  
Waynesville, NC 28785-5911

Principal place of business of Economic Inventions, LLC  
29 Thomas Coke Drive,  
Waynesville, NC 28785-5911

State of Organization of Economic Inventions, LLC: Georgia

## EXHIBIT B

### **Issued Patents**

#### 7,024,384 Apparatus and process for calculating an option

Inventor (as listed): **Daughtery, III; Vergil L.** (Americus, GA)  
Appl. No.: **09/906,305**  
Filed: **July 16, 2001**  
Issued: **April 4, 2006**

#### 6,263,321 Apparatus and process for calculating an option

Inventors: **Daughtery, III; Vergil L.** (Americus, GA)  
Assignee: **Economic Inventions, LLC** (Philadelphia, PA)  
Appl. No.: **09/262,663**  
Filed: **March 4, 1999**  
Issued: **July 17, 2001**

#### 5,884,286 Apparatus and process for executing an expirationless option

Inventor (as listed): **Daughtery, III; Vergil L.** (Americus, GA)  
Appl. No.: **08/718,630**  
Filed: **September 17, 1996**  
Issued: **March 16, 1999**

#### 5,557,517 System and method for determining the price of an expirationless American option and issuing a buy or sell ticket on the current price and portfolio

Inventor (as listed): **Daughterty, III; Vergil L.** (Macon, GA)  
Appl. No: **08/282,717**  
Filed: **July 29, 1994**  
Issued: **September 17, 1996**

### **Pending Patent Applications:**

United States Patent Application No. 11/276,293  
Filed on February 22, 2006  
Inventor: Vergil L. Daughtery, III

### **Trademarks (issued or pending):**

None

### **Copyrights (issued or pending):**

None

**EXHIBIT E**  
**[LOCATIONS WHERE FINANCING STATEMENTS ARE TO BE FILED]**

United States Patent and Trademark Office

Plus some of the following:

Secretaries of State (or equivalent) of North Carolina and Georgia

County encompassing Waynesville, North Carolina

**EXHIBIT F**  
**[COMMERCIAL TORT CLAIMS]**

None currently – but possibility of one against plaintiffs in Kobe Holdings versus Economic Inventions, LLC.