

05-30-2008

5-14-08



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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.

5-14-08

1. Name of conveying party(ies)

Scorpion Security Products, Inc.
Franklyn W. Gulick, Jr.

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

2. Name and address of receiving party(ies)

Name: Scorpion Investors, LLC

Internal Address: _____

Street Address: 450 Plaza Drive

City: Vestal

State: New York

Country: United States Zip: 13850

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

3. Nature of conveyance/Execution Date(s):

Execution Date(s) May 9, 2008

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

4. Application or patent number(s):

This document is being filed together with a new application.

A. Patent Application No.(s)

11/481,486
12/069,479

B. Patent No.(s)

Additional numbers attached? Yes No

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

Name: Mark C. Vallone, Esq.

Internal Address: _____

Street Address: 450 Plaza Drive

City: Vestal

State: New York Zip: 13850

Phone Number: (607)584-5664

Fax Number: (607)763-9211

Email Address: mvallone@binghamtonlaw.com

6. Total number of applications and patents involved: 2

7. Total fee (37 CFR 1.21(h) & 3.41) \$ 80.00

- 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:

Mark C. Vallone

Signature

Mark C. Vallone

Name of Person Signing

05/29/2008 11481486

01 FC:0021 5/9/2008 00.00

Total number of pages including cover sheet, attachments, and documents: 14

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O.Box 1450, Alexandria, V.A. 22313-1450

**COLLATERAL ASSIGNMENT, PATENT MORTGAGE,
AND SECURITY AGREEMENT**

This Collateral Assignment, Patent Mortgage, and Security Agreement (this "Agreement") is made and entered into this 9th day of May, 2008 by and between Scorpion Security Products, Inc., with its principal office located at 1429 Upper Front Street, Binghamton, New York 13901 (the "Debtor") and Scorpion Investors, LLC, with an office at c/o Levene Gouldin & Thompson, LLP, 450 Plaza Drive, Vestal, New York 13850 (the "Secured Party").

**Section 1
DEFINITIONS/RULES OF CONSTRUCTION**

Section 1.1 Specific Definitions. The following definitions shall apply:

(a) "*Collateral*" has the meaning assigned to that term in Section 2.1.

(b) "*Events of Default*" has the meaning set forth in Section 6.

(c) "*Lien*" means any security interest, mortgage, pledge, assignment, lien, or other encumbrance of any kind, including any interest of a vendor under a conditional sale contract or consignment and any interest of a lessor under a capital lease.

(d) "*Obligation(s)*" means the due and punctual payment of all amounts due or to become due under: (1) that certain Promissory Note of even date herewith given by Debtor to Secured Party in the original principal amount of Five Hundred Thousand and 00/100 Dollars (\$500,000.00) or such lesser amount as may be borrowed thereunder, as adjusted; and (2) that certain Independent Contractor Consulting Agreement of even date herewith by and between Debtor and Secured Party. Obligations shall also mean and include the due and punctual payment of all interest, fees, charges, costs or expenses which accrue on or in connection with the foregoing.

Section 1.2 Rules of Construction. This Agreement shall not be construed or resolved against Secured Party or Debtor, whether under any rule or construction or otherwise, but shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

**Section 2
SECURITY INTEREST**

Section 2.1 Grant of Security Interest.

(a) In order to secure prompt payment and performance of all Obligations, Debtor hereby assigns, transfers, conveys, and grants a continuing first-priority pledge, security interest, and mortgage to Secured Party, as security, but not as an ownership interest, in and to Debtor's entire right, title, and interest in, to, and under the following (all of which shall collectively be

called the "Collateral"), and any proceeds thereof, in any form or manner whatsoever with respect to such Collateral, whether and regardless of where located:

All personal property and fixtures of the Debtor, including, without limitation, wherever located, whether now existing or owned or hereafter arising or acquired, whether or not subject to the Uniform Commercial Code, as the same may be in effect in the State of New York, as amended from time to time ("UCC"), and whether or not affixed to any realty, including, without limitation, (i) all accounts, chattel paper, investment property, deposit accounts, documents, goods, equipment, machinery, vehicles, documents, farm products, general intangibles (including trademarks, service marks, trade names, patents, copyrights, licenses and franchises, and any applications therefor), instruments, inventory, money, letter of credit rights, causes of action (including tort claims) and other personal property (including agreements and instruments not constituting chattel paper or a document, general intangible or instrument); (ii) all additions to, accessions to, substitutions for, replacements of and supporting obligations of the foregoing; (iii) all proceeds and products of the foregoing, including, without limitation, insurance proceeds; and (iv) all business records and information relating to any of the foregoing and any software or other programs for accessing and manipulating such information (collectively, the "Collateral").

(b) Debtor acknowledges and agrees that the foregoing description of the Collateral is intended to cover all assets of Debtor, including, but not limited to:

(i) All patents, patent applications, and like protections including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, including, without limitation, the patents and patent applications set forth on Exhibit "A" attached hereto and made a part hereof (collectively, the "Patents");

(ii) Any and all claims for damages by way of past, present, and future infringements of any of the Patent rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Patent rights identified above;

(iii) All licenses or other rights to use any of the Patents, and all license fees and royalties arising from such use to the extent permitted by such license or rights; and

(iv) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

(c) Debtor acknowledges and agrees that the foregoing collateral description is intended to cover all assets of Debtor. This security interest in the Collateral shall attach to the Collateral without further act on the part of Secured Party or Debtor.

(d) THE INTEREST IN THE COLLATERAL BEING ASSIGNED HEREUNDER

SHALL NOT BE CONSTRUED AS A CURRENT ASSIGNMENT, BUT AS A CONTINGENT ASSIGNMENT TO SECURE DEBTOR'S PROMPT PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS TO SECURED PARTY.

(e) Subordination. Notwithstanding anything to the contrary in this Agreement, Secured Party hereby agrees that the first priority security interest granted to it herein shall be subordinate to the security interest granted by Debtor to M&T Bank (the "Commercial Lender") on or about even date herewith as a condition of such Commercial Lender's extension of a line of credit to Debtor in an amount not exceeding Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00).

Section 2.1 Authorization and Request. Debtor authorizes and requests that the Commissioner of Patents record this conditional assignment.

Section 3 SPECIFIC REPRESENTATIONS

Section 3.1 Name of Debtor. The exact name of Debtor is Scorpion Security Products, Inc. Debtor will not change its name, any trade names or its identity, its organizational structure, state of registration or organizational identification number without thirty (30) days' prior written notice to Secured Party.

Section 3.2 Title. Debtor has good and marketable title to the Collateral, and, unless otherwise expressly provided herein, the Lien granted to Secured Party pursuant to this Agreement is a fully perfected first-priority Lien in and to the Collateral with priority over the rights of every person in the Collateral other than the rights of Debtor, and the Collateral is free, clear, and unencumbered by any Liens in favor of any person other than Secured Party.

Section 3.3 Further Assurances. Debtor shall execute and deliver to Secured Party, concurrent with Debtor's execution of this Agreement and at any time or times hereafter at the request of Secured Party, all financing statements, continuation financing statements, fixture filings, security agreements, chattel mortgages, assignments, endorsements of certificates of title, applications for titles, affidavits, reports, notices, schedules of accounts, letters of authority, and all other documents Secured Party may reasonably request, in form satisfactory to Secured Party, to perfect and maintain perfected Secured Party's Liens in the Collateral and in order to consummate fully all of the transactions contemplated under the Security Documents. Debtor shall provide all information, in form and substance satisfactory to Secured Party, that Secured Party shall from time to time reasonably request to (i) identify the nature, extent, value, age and location of any of the Collateral, or (ii) identify any account debtor or other party obligated with respect to any chattel paper, general intangible, instrument, investment property, document or deposit account included in the Collateral. Debtor shall furnish to Secured Party financial statements in such form and at such intervals as Secured Party shall reasonably request from time to time.

Section 3.4 Transfer of Collateral. Debtor shall not sell, lease, license, transfer, or

otherwise dispose of any intellectual property assets, including the Patents, of the Collateral; provided, however, that Debtor may renew any licenses existing on even date hereof on the terms stated therein. Debtor shall not sell, lease, license, transfer, or otherwise dispose of any Collateral assets, other than the intellectual property assets, except in the ordinary course of business.

Section 3.5 Additional Collateral. If the Collateral declines in value substantially, Debtor shall grant a security interest to Secured Party in additional assets satisfactory to Secured Party having a value of at least equal to the decline in value of the existing Collateral.

Section 3.6 Secured Party's Duty of Care. Secured Party shall have no duty of care with respect to the Collateral except that Secured Party shall exercise reasonable care with respect to the Collateral in Secured Party's custody. Secured Party's failure to take steps to preserve rights against any parties or property shall not be deemed to be failure to exercise reasonable care with respect to the Collateral in Secured Party's custody. All risk of loss, damage, or destruction of the Collateral shall be borne by Debtor.

Section 3.7 Inspection of Collateral. Secured Party may inspect and examine the Collateral at any reasonable time, and check and test the same as to quality, quantity, value, and condition.

Section 3.8 Waivers. Debtor waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, documents, instruments, chattel paper, and guaranties at any time held by Secured Party on which Debtor may in any way be liable.

Section 3.9 Debtor Remains Liable. Anything contained herein to the contrary notwithstanding: (i) Debtor shall remain liable under any contracts and agreements included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed; (ii) the exercise by Secured Party of any of its rights hereunder shall not release Debtor from any of its duties or obligations under the contracts and agreements included in the Collateral; and (iii) Secured Party shall not have any obligation or liability under any contracts, licenses, and agreements included in the Collateral by reason of this Agreement, nor shall Secured Party be obligated to perform any of the obligations or duties of Debtor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 3.10 Notifications of Change. Immediately upon acquiring knowledge or reason to know of any of the following, Debtor shall notify Secured Party of the occurrence or existence of (i) any Event of Default; (ii) any event or condition that, after notice, lapse of time or after both notice and lapse of time, would constitute an Event of Default; (iii) any event or condition that has or (so far as can be foreseen) will or might have any material adverse effect on the Collateral (including a material loss, destruction or theft of, or of any damage to, the Collateral, a material decline in value of the Collateral, a material default by an account debtor or other party's performance of obligations with respect to the Collateral, or any subsequent ownership right of

Debtor in or to any Patent not specified in this Agreement), on Debtor or its business, operations, affairs or condition (financial or otherwise).

Section 3.11 Patent Rights. Debtor owns or possesses or can acquire on commercially reasonable terms sufficient legal rights to all Patents without any known conflict with, or infringement of, the rights of others.

Section 3.12 Validity and Enforceability. Each of the Patents is valid and enforceable, and no part of the Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Collateral violates the rights of a third party.

Section 3.13 Patent Status. Debtor shall: (i) protect, defend, and maintain the validity and enforceability of the Patents; (ii) use its best efforts to detect infringements of the Patents and promptly advise Secured Party in writing of material infringements detected; and (iii) not allow any Patents to be abandoned, forfeited, expired, or dedicated to the public without the written consent of Secured Party, which shall not be unreasonably withheld.

Section 4 REPRESENTATIONS AND WARRANTIES

Debtor hereby warrants and represents to Secured Party the following:

Section 4.1 No Breach. The execution, delivery, and performance by Debtor of this Agreement (a) will not contravene any law or any governmental rule or order binding on Debtor; (b) will not violate any agreement or instrument by which Debtor is bound; and (c) will not result in the creation of a Lien on any assets of Debtor except the Lien to Secured Party granted herein.

Section 4.2 Government Approval. To its knowledge, except for, and upon, the filing with the United States Patent and Trademark Office with respect to the Patents necessary to perfect the security interests and assignment created hereunder and except as has been already made or obtained, no authorization, approval, or action by, and no notice to or filing with, any U.S. governmental authority or U.S. regulatory body is required either: (i) for the grant by Debtor of the security interest granted hereby or for the execution, delivery, or performance of this Agreement by Secured Party in the U.S.; or (ii) for the perfection in the United States or the exercise by Secured Party of its rights and remedies thereunder.

Section 4.3 Taxes. All assessments and taxes, whether real, personal, or otherwise, due or payable by, or imposed, levied, or assessed against Debtor or any of his property have been paid in full before delinquency or before the expiration of any extension period; and Debtor has made due and timely payment or deposit of all federal, state, and local taxes, assessments, or contributions required of it by law, except only for items that Debtor is currently contesting diligently and in good faith and that have been fully disclosed in writing to Secured Party.

Section 4.4 Litigation and Proceedings. There are no outstanding judgments against Debtor or any of its assets and there are no actions or proceedings pending by or against Debtor before

any court or administrative agency. Debtor has no knowledge or belief of any pending, threatened, or imminent litigation, governmental investigations, or claims, complaints, actions, or prosecutions involving Debtor.

Section 5 COVENANTS

Section 5.1 Lease or Encumbrance of Assets. Debtor shall not lease the Collateral as lessee and shall not create, incur, assume, or permit to exist any Lien on the Collateral, except for the Lien to Secured Party and to the Commercial Lender, without the express prior written consent of Secured Party.

Section 5.2 Condition and Repair. Debtor shall maintain the Collateral in good repair and working order and from time to time shall make all appropriate repairs.

Section 5.3 Insurance. Debtor shall maintain, with financially sound and reputable insurers, insurance with respect to its properties and business against loss or damage of the kinds and in the amounts customarily insured against by corporations of established reputation engaged in the same or similar businesses. Each such policy shall name Secured Party as an additional insured and, where applicable, as loss payee under a lender loss payable endorsement satisfactory to Secured Party, and shall provide for thirty (30) days' written notice to Secured Party before such policy is altered or canceled.

Section 5.4 Taxes. Debtor shall pay all taxes, assessments, and other governmental charges imposed upon it with respect to the Collateral before any penalty or interest accrues thereon.

Section 6 EVENTS OF DEFAULT

Any of the following shall be an Event of Default:

(a) Debtor fails to make any payment of principal or interest or any other payment on any Obligation when due and payable, by acceleration or otherwise;

(b) Any representation or warranty made herein by Debtor or in any document furnished to Secured Party by Debtor under this Agreement is incorrect in any material respect when made or when reaffirmed;

(c) Debtor fails to observe or perform any covenant, condition, or agreement to be observed or performed pursuant to the terms hereof;

(d) Debtor fails to keep the Collateral insured as required herein, or material uninsured damage to or loss, theft, or destruction of the Collateral occurs;

(e) A court enters a decree or order for relief in respect of Debtor in an involuntary

case under any applicable bankruptcy, insolvency, or other similar law then in effect, or appoints a receiver, liquidator, assignee, custodian, trustee, or sequestrator (or other similar official) for any substantial part of Debtor's property; or a petition initiating an involuntary case under any such bankruptcy, insolvency, or similar law is filed against Debtor and is pending for sixty (60) days without dismissal;

(f) Debtor commences a voluntary case under any applicable bankruptcy, insolvency, or other similar law then in effect, makes any general assignment for the benefit of creditors, fails generally to pay its debts as such debts become due, or takes action in furtherance of any of the foregoing;

(g) Final judgment for the payment of money in excess of \$5,000.00 is rendered against Debtor and remains undischarged for ten (10) days during which execution is not effectively stayed;

(h) Debtor defaults under the terms of any indebtedness or lease involving total payment obligations of Debtor in excess of \$5,000.00 and such default is not cured within the time period permitted pursuant to the terms and conditions of such indebtedness or lease, or an event occurs that gives any creditor or lessor the rights to accelerate the maturity of any such indebtedness or lease payments;

(i) A notice of Lien, levy or assessment is filed of record with respect to the Collateral by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or other governmental agency; or any tax or debt owing at any time hereafter to any one or more of such entities becomes a Lien upon any or all of the Debtor's assets and the same is not paid on the payment date thereof;

(j) There is a material impairment of the value of the Collateral or priority of Secured Party's Liens on the Collateral;

(k) Any or all of Debtor's assets are attached, seized, or subjected to a writ or distress warrant, or are levied upon, or come into the possession of, any judicial officer;

(l) Secured Party believes in good faith that the prospect of payment or performance of the Obligation by Debtor has been impaired; or

(m) The liquidation or dissolution of the Debtor, or the sale of a material portion of the business and assets of the Debtor.

Section 7

FURTHER ASSURANCES; ATTORNEY-IN-FACT.

Section 7.1 Further Assurances. Debtor will, subject to any prior licenses, encumbrances, and restrictions and prospective licenses, make, execute, acknowledge, and deliver, and file and record in the proper filing and recording places in the United States, all such instruments,

including, appropriate financing and continuation statements and collateral agreements and filings with the United States Patent and Trademark Office, and take all such action as may reasonably be deemed necessary or advisable, or as requested by Secured Party, to perfect Secured Party's security interest in all Patents and otherwise to carry out the intent and purpose of this Collateral Assignment, or for assuring and confirming to Secured Party the grant or perfection of a security interest in all Collateral.

Section 7.2 Attorney-in-Fact. Debtor hereby irrevocably appoints Secured Party as Debtor's attorney-in-fact, with full authority in the place and stead of Debtor and in the name of Debtor, Secured Party, or otherwise, from time to time in Secured Party's discretion, upon Debtor's failure or inability to do so, to take any action and to execute any instrument which Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including:

(a) To modify, in its sole discretion, this Agreement without first obtaining Debtor's approval of, or signature to, such modification by amending Exhibit "A" hereof, as appropriate, to include reference to any right, title, or interest in any Patents acquired by Debtor after the execution hereof or to delete any reference to any right, title, or interest in any Patents in which Debtor no longer has or claims any right, title, or interest; and

(b) To file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Debtor where permitted by law.

Section 8 REMEDIES

Section 8.1 Specific Remedies. Upon the occurrence of any Event of Default:

(a) Secured Party may cease advancing money or extending credit to or for the benefit of Debtor under any agreement between Debtor and Secured Party, if any.

(b) Secured Party may declare all principal and interest then due and owing pursuant to any and all Obligations to be due and payable immediately, whereupon they shall immediately become due and payable without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived by Debtor.

(c) Secured Party may set off against the Obligations all Collateral, balances, credits, deposits, accounts, or moneys of Debtor then or thereafter held with Secured Party.

(d) Secured Party may enter any premises of Debtor, with or without judicial process, and take possession of the Collateral. Secured Party may remove the Collateral and/or remain on such premises and use the premises for the purpose of preparing and disposing of the Collateral, without charge. Debtor shall, upon request of Secured Party, assemble the Collateral and any records pertaining thereto and make them available at a place designated by Secured Party that is reasonably convenient to both parties.

(e) Secured Party may dispose of the Collateral in its then-existing condition or, at its election, may refurbish or finish the Collateral.

(f) Secured Party may, but is not obligated to pay, purchase, contest, or compromise any encumbrance, charge, or Lien that, in the opinion of Secured Party, appears to be prior or superior to its Lien and pay all expenses incurred in connection therewith.

(g) Secured Party may sell the Collateral at public or private sale and is not required to repossess Collateral before selling it. Secured Party shall have the right to sell, lease or otherwise dispose of the Collateral in one or more parcels or lots at public or private sale or sales upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. Debtor hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal which Debtor now has or may at any time in the future have under any applicable law now existing or hereafter enacted. Any requirement of reasonable notice of any disposition of the Collateral shall be satisfied if such notice is sent to Debtor ten (10) days prior to such disposition by any of the methods provided in Section 8.5 hereof.

(h) To the maximum extent permitted by applicable law, Secured Party may be the purchaser of any or all of the Collateral at any public sale.

(i) Secured Party may apply the proceeds from the sale, lease or other disposition or realization upon the Collateral to the Obligations in such order and manner and at such time as Secured Party shall, in its sole discretion, determine. Debtor shall remain liable for any deficiency if the proceeds of any sale, lease or other disposition or realization upon the Collateral are insufficient to pay the Obligations.

(j) Debtor shall pay to Secured Party on demand all costs and expenses (including all reasonable fees and disbursements of all counsel and experts), which Secured Party may incur in connection the enforcement and collection of any Obligations or any guaranty thereof or the failure of Debtor to perform or observe any provisions hereof.

Section 8.2 Remedies Are Cumulative. Each remedy set forth herein is cumulative with every other right or remedy given by law or by other agreement. Secured Party may pursue its rights and remedies concurrently or in any sequence, and no exercise of one right or remedy shall be deemed to be an election.

Section 9 INDEMNITY

Debtor agrees to defend, indemnify, and hold harmless Secured Party and its members and managers against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Agreement; and (b) all losses or expenses in any way suffered, incurred, or paid by Secured Party as a result of, or in

any way arising out of, following, or consequential to transactions between Debtor and Secured Party, whether under this Agreement or otherwise (including without limitation, reasonable attorneys' fees and reasonable expenses), except for losses arising from our out of Secured Party's gross negligence or willful misconduct.

Section 10 **MISCELLANEOUS**

Section 10.1 Delay and Waiver. No delay or omission to exercise any right shall impair any such right or be a waiver thereof, but any such right may be exercised from time to time and as often as may be deemed expedient. A waiver on one occasion shall be limited to that particular occasion.

Section 10.2 Complete Agreement. This Agreement is the complete agreement of the parties hereto and supersedes all previous understandings relating to the subject matter hereof. This Agreement may be amended only by an instrument in writing that explicitly states that it amends this Agreement and is signed by the party against whom enforcement of the amendment is sought. This Agreement may be executed in counterparts, each of which will be an original and all of which will constitute a single agreement.

Section 10.3 Severability; Headings. If any part of this Agreement or the application thereof to any person or circumstance is held invalid, the remainder of this Agreement shall not be affected thereby. The section headings herein are included for convenience only and shall not be deemed to be a part of this Agreement.

Section 10.4 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the respective legal representatives, successors, and assigns of the parties hereto; however, Debtor may not assign any of its rights or delegate any of its Obligations hereunder.

Section 10.5 Notices. Any notices under or pursuant to this Agreement shall be deemed duly sent when delivered in hand or when mailed by registered or certified mail, return receipt requested, or when delivered by courier or when transmitted by telex, telecopy, or similar electronic medium to the following addresses:

To Debtor: Scorpion Security Products, Inc.
 1429 Upper Front Street
 Binghamton, New York 13901
 Attention: Franklyn W. Gulick, Jr.

To Secured Party: Scorpion Investors, LLC
 450 Plaza Drive
 Vestal, New York 13850
 Attention: Lawrence J. Schorr

Either party may change such address by sending notice of the change to the other party;

such change of address shall be effective only upon actual receipt of the notice by the other party.

Section 10.6 Governing Law. All acts and transactions hereunder and the rights and obligations of the parties hereto shall be governed, construed, and interpreted in accordance with the domestic laws of New York.

Section 10.7 Jurisdiction. Debtor agrees that the state and federal courts in Broome County, New York, or any other court in which Secured Party initiates proceedings have exclusive jurisdiction over all matters arising out of this Agreement and that service of process in any such proceeding shall be effective if mailed to Debtor at its address described in the Notices section of this Agreement. Debtor waives any right it may have to assert the defense of forum non conveniens or to object to such venue and hereby consents to any court-ordered relief.


Section 10.8 Waiver of Trial by Jury. SECURED PARTY AND DEBTOR HEREBY WAIVE THE RIGHT TO TRIAL BY JURY OF ANY MATTERS ARISING OUT OF THIS AGREEMENT OR THE CONDUCT OF THE RELATIONSHIP BETWEEN SECURED PARTY AND DEBTOR.

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IN WITNESS WHEREOF, the Debtor and Secured Party have executed this Agreement as of the date first above written.

DEBTOR:

SCORPION SECURITY PRODUCTS, INC.

By: 
Name: Franklyn W. Gulick, Jr.
Title: President

SECURED PARTY:

SCORPION INVESTORS, LLC

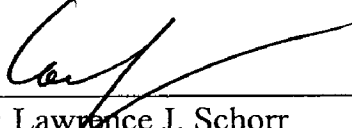
By: 
Name: Lawrence J. Schorr
Title: Managing Member

EXHIBIT "A"

Patents

<u>Title</u>	<u>Serial/Appl. No.</u>
Anti-Theft Device for Functional Display of Handheld Devices	11/481,486
Anti-Theft Device for Functional Display of Handheld Devices	12/069,479