

PATENT ASSIGNMENT

Electronic Version v1.1
Stylesheet Version v1.1

SUBMISSION TYPE:

NEW ASSIGNMENT

NATURE OF CONVEYANCE:

SECURITY AGREEMENT

CONVEYING PARTY DATA

| Name | Execution Date |
|---------------------|----------------|
| Firefly Energy Inc. | 09/07/2007 |

RECEIVING PARTY DATA

| | |
|-----------------|---|
| Name: | PNC Bank, National Association (as successor in interest to National City Bank) |
| Street Address: | 301 SW Adams Street |
| City: | Peoria |
| State/Country: | ILLINOIS |
| Postal Code: | 61602 |

PROPERTY NUMBERS Total: 11

| Property Type | Number |
|---------------------|----------|
| Patent Number: | 6979513 |
| Patent Number: | 7033703 |
| Patent Number: | 7105252 |
| Patent Number: | 7341806 |
| Application Number: | 11887402 |
| Application Number: | 11887399 |
| Application Number: | 11984632 |
| Application Number: | 12377816 |
| Application Number: | 12382978 |
| Application Number: | 12522766 |
| Application Number: | 10183471 |

CORRESPONDENCE DATA

Fax Number: (312)863-7865

Correspondence will be sent via US Mail when the fax attempt is unsuccessful.

Phone: 312-201-3865

501116475

PATENT
REEL: 024066 FRAME: 0258

OP \$440.00 6979513

Email: sharon.patterson@goldbergkohn.com
Correspondent Name: Sharon Patterson, Paralegal
Address Line 1: Goldberg Kohn, 55 E Monroe St.
Address Line 2: Ste 3300
Address Line 4: Chicago, ILLINOIS 60603

ATTORNEY DOCKET NUMBER:

4033.005

NAME OF SUBMITTER:

Sharon Patterson

Total Attachments: 8

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SECURITY AGREEMENT

This Security Agreement is dated as of September 7, 2007 between Firefly Energy Inc. ("Debtor"), and National City Bank ("Secured Party").

1. Description of Collateral. Debtor hereby grants to Secured Party a security interest in the following described assets and any and all additions, accessions and substitutions thereto or therefor (collectively referred to as the "Collateral").

a. All equipment, machinery, furniture, furnishings, and any and all other tangible personal property, and all additions, accessions and substitutions thereto or therefor now owned or hereafter acquired by the Debtor (collectively referred to as "Equipment");

b. All accounts receivable, contract rights, chattel paper, documents, instruments, general intangibles, as such term is defined in the Illinois Uniform Commercial Code (810 ILCS 5/1-101 *et. seq.*) as in effect from time to time, all accounts, as such term is defined in the Illinois Uniform Commercial Code as in effect from time to time, and other forms of obligation and other rights to the payment of money, now owned or which may hereafter arise in favor of the Debtor (hereinafter called "Accounts");

c. All of the Debtor's inventory, including all goods, merchandise, materials, raw materials, work in process, finished goods and other tangible personal property now owned or hereafter acquired and held for sale or lease or furnished or to be furnished under contracts of services or used or consumed in the Debtor's business, and any documents of title representing any thereof (hereinafter called "Inventory");

d. All deposit accounts of Debtor with Secured Party; and

e. All proceeds, including insurance proceeds, and products of (a), (b), (c) and (d) above.

2. Obligations. The security interest granted hereby is to secure the payment and performance of all of the liabilities and obligations of Debtor to Secured Party hereunder and also any and all other obligations of Debtor to Secured Party of every kind and description, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising including, without limitation, all obligations, contingent or otherwise, whether now existing or hereafter arising, of Debtor to Secured Party or any of its affiliates arising under or in connection with Rate Management Transactions (all hereinafter called "Obligations"). These Obligations include, without limitation, the liabilities and obligations of Debtor to Secured Party contained in the Line of Credit Promissory Note from Debtor to Secured Party of even date herewith.

"Rate Management Transaction" means any transaction (including an agreement with respect thereto) now existing or hereafter entered into among Debtor and Secured Party or any of its subsidiaries or affiliates or their successors, which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

3. Warranties. Debtor represents and warrants as follows:

a. Debtor is duly organized and existing under the laws of the State of Delaware and is duly qualified and in good standing in every other state in which it is doing business. The exact name of Debtor is correctly stated in the first paragraph of this Agreement.

b. The execution, delivery and performance hereof are within Debtor's corporate powers, have been duly authorized, are not in contravention of law or the terms of Debtor's organizational documents, or of any indenture, agreement or undertaking to which Debtor is a party or by which it is bound.

c. Debtor's (i) sole place of business (or its chief executive office, if it has more than one place of business); and (ii) the office where it keeps its records concerning the Collateral is at the address stated in Section 17 of this Agreement.

d. The Debtor is the sole and absolute owner of the Collateral free and clear of liens and encumbrances of every kind and nature except only the lien and encumbrance hereby granted and created, other liens and encumbrances to Secured Party and other liens and encumbrances disclosed in writing to Secured Party by Debtor.

e. The Debtor has signed no financing statements covering the above described property, except the financing statements signed with respect to this Security Agreement, other financing statements in favor of Secured Party and the other financing statements disclosed in writing to Secured Party by Debtor.

f. The officers of the Debtor executing this Security Agreement have been duly elected and qualified and have been duly authorized and empowered so to execute and deliver this Security Agreement on behalf of the Debtor.

4. Records. Debtor will at all reasonable times and from time to time allow Secured Party, upon at least five (5) days prior written notice, by or through any of its officers, agents, employees, attorneys or accountants, to examine and inspect and make extracts or copies from Debtor's books and other records to arrange for verification of the Collateral, directly with account debtors or by other methods. Debtor will furnish to Secured Party upon request statements of any account, together with all notes or other papers evidencing the same and any guaranties, securities or other documents and information relating thereto; and generally at all times and from time to time furnish to Secured Party such statements and information as it may reasonably request.

5. Covenants. The Debtor hereby covenants and agrees with Secured Party that so long as the Debtor shall owe any amounts under any of the Obligations to Secured Party, the Debtor will:

a. Maintain the tangible Collateral in good working order, condition and repair;

b. Keep the tangible Collateral in its possession and control, and within the continental United States, except for Collateral held by third parties in the ordinary course of Debtor's business;

c. Provide to Secured Party from time to time, upon the request of Secured Party, but not more often than quarterly, a listing of the Collateral specifying the physical location and the then condition of each item thereof;

d. From time to time at the request of Secured Party, do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as Secured Party

may reasonably require, to more completely vest in and assure to Secured Party its rights hereunder and in or to the Collateral and the proceeds thereof;

e. Immediately notify Secured Party in writing of the opening of any new office or place of business or the closing of any of its existing offices or places of business and of any change in the location of its chief executive office or the places where its records concerning the Collateral are kept; and

f. Maintain the existence of Debtor as described in Section 3a above, and not change any of the matters stated in said Section without the written consent of Secured Party.

6. Financing Statements. At the request of Secured Party, Debtor shall authorize one or more financing statements pursuant to the Illinois Uniform Commercial Code in a form satisfactory to Secured Party and will pay the cost of filing the same in all public offices wherever filing is deemed by Secured Party to be necessary or desirable. Without the written consent of Secured Party, Debtor will not authorize any financing statement covering any Collateral, proceeds thereof or any of Debtor's inventory to be on file in any public office. The Debtor will pay all customary costs of filing any financing, continuation or termination statements with respect to the security interest created by this Security Agreement.

7. Accounts.

a. Secured Party authorizes Debtor to collect any and all amounts owing on all Accounts subject to this agreement, and Debtor shall use its best efforts to effect the prompt collection of such Accounts. Secured Party may, at its election, notify any account debtor on any Account of the assignment thereof and effect collection of any Account directly from the account debtor obligated thereon. Secured Party shall have full power to collect, compromise, endorse, sell or otherwise deal with the accounts or proceeds thereof in its own name or that of Debtor.

b. Debtor hereby irrevocably appoints Secured Party, after the occurrence of an event of default, or any person designated by Secured Party, its attorney in fact to receive, open and dispose of all mail addressed to Debtor, to endorse the name of Debtor on any notes, acceptances, checks, drafts, money orders or other remittances, to endorse the name of Debtor on any invoice, freight or express bill or bill of lading, storage receipt, warehouse receipt or other instrument or document in respect to any account subject to this agreement, to sign the name of Debtor to drafts against account debtors, assignments or verifications of Accounts subject to this agreement and notices to account debtors, and to do all other acts and things necessary to carry out the intent of this Security Agreement. The authority granted Secured Party shall remain in full force and effect until all Accounts subject to this Security Agreement have been paid in full.

c. Upon request of Secured Party at any time after the occurrence of an event of default, Debtor will notify such account debtors and will indicate on all billings to such account debtors that the Accounts are payable to Secured Party. Any proceeds of Accounts thereafter received by Debtor shall be turned over to Secured Party daily in the exact form in which they are received.

d. After the occurrence of an event of default, the Debtor will not, without the written consent of Secured Party, grant any extension of the time of payment of the Accounts, compromise, compound and settle the same for less than the full amount thereof, release, wholly or partly, any person liable for the payment thereof or allow any credit or discount whatsoever thereon, other than trade discounts specifically noted at the time of assignment.

e. Upon the request of Secured Party at any time after the occurrence of an event of default, the Debtor will deliver to Secured Party all original and other documents evidencing, and relating to, the sale and delivery of merchandise or the performance of labor or services which created the Accounts, including, but not limited to, all original orders, invoices and shipping receipts.

f. Secured Party shall have the right, at the Debtor's expense, to make test verifications of all Accounts in any manner and through any medium Secured Party considers reasonably advisable, and the Debtor agrees to furnish all such assistance and information as Secured Party may require in connection therewith.

g. The Debtor will furnish to Secured Party, at the Debtor's expense, the following reports: reconciliation of all Accounts; an aging of all Accounts; trial balances; a test verification of all Accounts; and such other reports and information relating to the Accounts as Secured Party may request. All reports shall be in form reasonably satisfactory to Secured Party and shall be furnished to Secured Party at such times as Secured Party may request, but not more often than monthly.

h. The Debtor will stamp, in form and manner satisfactory to Secured Party, the Debtor's accounts ledger and other books and records pertaining to the Accounts with an appropriate reference to the fact that the Accounts and the proceeds thereof have been assigned to Secured Party.

8. Inventory. After the occurrence of an event of default, Secured Party shall have the right to immediate possession of all Inventory and its products and proceeds. Secured Party shall have the right at all times, upon five (5) days prior written notice, but not more often than monthly, to inspect the Inventory and the Debtor's records pertaining thereto. None of the Inventory shall be removed or disposed without Secured Party's written consent, except to bona fide purchasers thereof in the ordinary course of the Debtor's business. Upon Secured Party's request, after the occurrence of an event of default, the Debtor will:

a. From time to time, at the Debtor's expense, pledge and deliver the Inventory to Secured Party or to a third party as Secured Party's bailee; to hold the same in trust for Secured Party's account; or store the same in a warehouse or warehouses in Secured Party's name; or deliver to Secured Party documents of title representing the same; or evidence Secured Party's security interest in the Inventory and the proceeds and products thereof in such other manner as may be acceptable to Secured Party.

b. Remove or dispose of Inventory (whether or not to bona fide purchasers in the ordinary course of the Debtor's business) only on orders approved by Secured Party in writing.

c. Report all sales of Inventory to Secured Party in a form satisfactory to Secured Party at such times as Secured Party may request, but not more often than monthly.

9. Insurance. The Debtor shall insure at its expense, and keep insured by solvent insurers, all Collateral in such amounts as similar goods are usually insured by companies similarly situated, against loss or damage of the kinds usually insured against by companies similarly situated, and upon Secured Party's request, the policies evidencing such insurance shall be duly endorsed in Secured Party's favor and certificates evidencing such insurance shall be provided to Secured Party. If the Debtor defaults in this regard, Secured Party shall have the right to insure and charge the cost to the Debtor. Secured Party assumes no risk or responsibility in connection with the payment or non-payment of losses, the only responsibility of Secured Party being to credit the Debtor with any insurable payments received on account of losses.

10. Taxes. All taxes that may be assessed upon or paid by Secured Party with respect to any of the Collateral shall be charged to and paid by Debtor, who agrees to indemnify Secured Party against loss by reason of any such taxes. Debtor will make due and timely payment or deposit of all federal, state and local taxes, assessments or contributions required of Debtor by law, and will execute and deliver to Secured Party, on demand, appropriate certificates attesting to the payment or deposit thereof.

11. Proceeds. The proceeds from the sale or other disposition of the Collateral that are delivered by Debtor to Secured Party, or the net sums collected directly by Secured Party, after first deducting all costs of collection, shall be credited against the amount owed by Debtor.

12. Default.

a. If Debtor fails to pay when due to Secured Party any amount payable on any Obligations, and such failure shall continue for ten (10) days after written notice of such failure to Borrower from Lender, or fails to observe or perform any of the covenants and warranties in this Security Agreement or in any other document evidencing, securing or otherwise executed in connection with the Obligations, and such failure shall continue for thirty (30) days after either (i) it becomes known to Borrower or (ii) written notice thereof shall have been given to any Borrower by the Lender; provided, however, that if the default is of such nature that it can be corrected but not within said period, the cure period shall be extended so long as Borrower initiates curative action within such period and diligently pursues that action to completion, Debtor shall be in default.

b. In addition, at the election of Secured Party and without necessity of demand or notice, all or any part of the indebtedness of Debtor secured hereby shall become immediately due and payable, irrespective of any agreed maturity date, on the occurrence of any of the following events of default:

(i) Any warranty, representation, financial statement, or other information made, given, or furnished to Secured Party by or on behalf of Debtor shall prove to have been untrue in any material respect when made, given, or furnished; or

(ii) The issuance or filing of any attachment, levy, garnishment, or other judicial process of or on Debtor or any of the Collateral; or

(iii) The sale or other disposition by Debtor of any substantial portion of its assets or property, except in the ordinary course of business; or, dissolution, termination of existence, insolvency, business failure, or assignment for the benefit of creditors of or by Debtor; or commencement of any proceedings under any state or federal Bankruptcy or insolvency laws by or against Debtor; or the appointment of a receiver or trustee for all or any part of the property of Debtor.

13. Remedies. On any such default, or election by Secured Party under subsection b above, and at any time thereafter:

a. Secured Party may declare all Obligations secured under this Security Agreement immediately due and payable and may proceed to enforce payment and exercise any and all of the rights and remedies provided by the Illinois Commercial Code, as well as any and all other rights and remedies possessed by Secured Party.

b. Secured Party shall have the right to take immediate possession of the Collateral, and for that purpose may pursue the same wherever the Collateral may be found, and may enter

upon any of the premises of Debtor with or without force or process of law, wherever the Collateral may be or may be supposed to be, and search for the same, and, if found, take possession of and remove the Collateral, or any part thereof. Debtor shall, upon Secured Party's request, assemble the Collateral and make the Collateral available to Secured Party at Borrower's business premises at 5407 N. University Street, Peoria, Illinois, or 6533 N. Galena Rd., Peoria, Illinois.

c. Secured Party may sell at public or private sale, for such price as Secured Party may reasonably deem fair, any and all of the Collateral and any other security or property held by Secured Party. Secured Party may be the purchaser of the Collateral or other property or security so sold and may hold the Collateral thereafter in its own right absolutely against any claims of Debtor or right of redemption.

d. In the case of public sale, notice shall be deemed to be adequate and reasonable if such notice appears three (3) times in a newspaper published in the City or County wherein the sale is to be held, the first such publication being at least ten (10) days before such sale. In the case of a private sale, notice shall be deemed to be adequate and reasonable if such notice is mailed to Debtor at its last known address at least ten (10) days before such sale.

e. The net proceeds of any sale or sales shall be applied against the amount owed Secured Party by Debtor and any other indebtedness of Debtor to Secured Party. Debtor shall forthwith pay to Secured Party any deficiency on demand of Secured Party and shall be entitled to any surplus resulting from such sale or sales. Demand of performance, advertisement, and presence of the Collateral at sale are hereby waived by Debtor. All demands and presentments of every kind or nature are expressly waived by Debtor.

f. Secured Party may require Debtor to assemble the Collateral at Borrower's business premises at 5407 N. University Street, Peoria, Illinois, or 6533 N. Galena Rd., Peoria, Illinois, at the expense of Debtor.

14. Expenses. Debtor shall pay to Secured Party on demand any and all expenses, including legal expenses and reasonable attorneys' fees, reasonably incurred or expended by Secured Party in the recovery and sale or attempted recovery and sale of Collateral and in protecting and enforcing the Obligations and other rights of Secured Party hereunder.

15. Termination. This Security Agreement shall be terminable only by the filing of a termination statement in accordance with applicable provisions of the Illinois Commercial Code. Until terminated, the security interest created hereunder shall continue in full force and effect and shall secure and be applicable to all advances now or hereafter made by Secured Party to Debtor, whether or not Debtor is indebted to Secured Party immediately prior to the time of any such advance. Any termination of this Security Agreement by either party shall not affect the obligation of Debtor or Secured Party with respect to accounts assigned by Debtor to Secured Party prior to such termination. Secured Party shall deliver to Debtor UCC termination statements as required by the Illinois Uniform Commercial Code.

16. Applicable Law.

a. The validity of this Security Agreement and any provision hereof shall be determined under and shall be construed according to the Illinois Commercial Code and other applicable laws of the State of Illinois, and all duties of the parties created under this Security Agreement are performable in the State of Illinois.

b. Unless otherwise defined, all terms used in this Security Agreement that are defined in the Illinois Commercial Code shall have the same meaning in this Security Agreement as therein defined.

17. Notices. All notices provided for herein shall be in writing and shall be deemed to have been given when delivered personally or three (3) days after being deposited in the United States mail, postage prepaid, addressed as follows, or to such other address as may hereafter be designated in writing by the respective parties hereto:

IF TO LENDER:

National City Bank
301 SW Adams Street
Peoria, IL 61602
Attn: Thomas D. Schlink

With a copy to:

Michael R. Seghetti
Elias, Meginnes, Riffle & Seghetti, P.C.
416 Main Street, Suite 1400
Peoria, Illinois 61602

IF TO THE BORROWER:

Firefly Energy Inc.
5407 N. University St., Suite A
Peoria, IL 61614
Attn: President

With a copy to:


Robert J. Sell
Seyfarth Shaw LLP
131 S. Dearborn St.
Suite 2400
Chicago, IL 60603

18. No Waiver. The failure of Secured Party to exercise any right or remedy, including acceptance by Secured Party of partial or delinquent payments, shall not constitute a waiver of any obligation from Debtor or right of Secured Party or constitute a waiver of any other similar default occurring subsequently.

19. Intent. This Security Agreement expresses the entire understanding of the parties with respect to the subject matter hereof and may not be altered or amended except with the written consent of each of the parties and except as provided in any other written document signed and delivered by Debtor to Secured Party.

20. Successors and Assigns. This Security Agreement shall be binding upon and inure to the benefit of the Debtor and Secured Party and their respective successors and assigns.


FIREFLY ENERGY INC.

By: 

Its: CSO

307-0443.d5

NATIONAL CITY BANK

By: 

Its: Vice President