

PATENT ASSIGNMENT COVER SHEET

Electronic Version v1.1
 Stylesheet Version v1.2

EPAS ID: PAT3243029

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY INTEREST
CONVEYING PARTY DATA	
Name	Execution Date
PORTRAIT INNOVATIONS, INC. AND PORTRAIT INNOVATIONS HOLDING COMPANY	02/26/2015
RECEIVING PARTY DATA	
Name:	CAPITALSOUTH PARTNERS SBIC FUND III, L.P.
Street Address:	4201 CONGRESS STREET
Internal Address:	SUITE 360
City:	CHARLOTTE
State/Country:	NORTH CAROLINA
Postal Code:	28209
PROPERTY NUMBERS Total: 4	
Property Type	Number
Application Number:	13347271
Patent Number:	8065197
Patent Number:	7580148
Patent Number:	7193742
CORRESPONDENCE DATA	
Fax Number:	(312)258-5600
<i>Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent using a fax number, if provided; if that is unsuccessful, it will be sent via US Mail.</i>	
Phone:	LAURA BRAASCH
Email:	trademarks@schiffhardin.com
Correspondent Name:	SCHIFF HARDIN LLP
Address Line 1:	P.O. BOX 06079
Address Line 4:	CHICAGO, ILLINOIS 60606
ATTORNEY DOCKET NUMBER:	46495-0002
NAME OF SUBMITTER:	LAURA BRAASCH
SIGNATURE:	/Laura Braasch/
DATE SIGNED:	02/26/2015
This document serves as an Oath/Declaration (37 CFR 1.63).	

Total Attachments: 9

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THIS RIDER TO SECURITY AGREEMENT - PATENTS AND THE SECURITY INTERESTS GRANTED HEREIN ARE SUBORDINATE IN THE MANNER AND TO THE EXTENT SET FORTH IN THAT CERTAIN SUBORDINATION AGREEMENT DATED AS OF FEBRUARY 26, 2015 (AS AMENDED, RESTATED, SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME, THE "INTERCREDITOR AGREEMENT"), AMONG PORTRAIT INNOVATIONS, INC., AND PORTRAIT INNOVATIONS HOLDING COMPANY, AS ISSUERS, FIFTH THIRD BANK, AS SENIOR LENDER, AND CAPITALSOUTH PARTNERS FUND II LIMITED PARTNERSHIP, AND CAPITALSOUTH PARTNERS SBIC FUND III, L.P., AS SUBORDINATED PURCHASERS, AND EACH HOLDER BY ITS ACCEPTANCE HEREOF, SHALL BE BOUND BY THE PROVISIONS OF THE INTERCREDITOR AGREEMENT.

Rider to Security Agreement – Patents

THIS RIDER TO SECURITY AGREEMENT ("Rider") is executed as of this 26th day of February, 2015, by and between PORTRAIT INNOVATIONS, INC. and PORTRAIT INNOVATIONS HOLDING COMPANY, (collectively, the "Grantor") each with an address at 2016 Ayrley Town Blvd., Suite 200, Charlotte, NC 28273, CAPITALSOUTH PARTNERS FUND II LIMITED PARTNERSHIP, a North Carolina limited partnership ("CapitalSouth II"), CAPITALSOUTH PARTNERS SBIC FUND III, L.P., a Delaware limited partnership ("CapitalSouth III", and together with CapitalSouth II, the Collateral Agent, and their respective assignees and transferees with respect to the Obligations, collectively the "Purchasers" and each individually a "Purchaser") and CapitalSouth III, in its capacity as Collateral Agent for the Purchasers (together with any affiliate, successor, assignee or other Person appointed pursuant to the Loan Documents as Collateral Agent for purposes of the Loan Documents and this Rider, the "Collateral Agent"), each with an address at 4201 Congress Street, Suite 360, Charlotte, NC 28209. This Rider is incorporated into and made part of that certain Security Agreement ("Security Agreement") between the Grantor and the Collateral Agent dated February 26, 2015, and also into certain other financing documents and security agreements executed by and between the Grantor and the Collateral Agent or the Purchasers, as applicable (all such documents including this Rider being collectively referred to as "Loan Documents"). All capitalized terms not otherwise defined in this Rider shall have the same meanings ascribed to such terms in the other Loan Documents.

As collateral security for the Obligations (as defined in the Security Agreement) under the Loan Documents, the Grantor has agreed to grant a security interest in and to assign to the Collateral Agent, for the benefit of the Collateral Agent and the Purchasers, the Patent Collateral (as hereinafter defined). The Collateral Agent desires to have its lien and security interest in such Patent Collateral confirmed by a document identifying such security interest and in such form as may be recorded in the United States Patent and Trademark Office.

NOW, THEREFORE, with the foregoing background deemed incorporated by reference and made part hereof, the parties hereto, intending to be legally bound hereby, covenant and agree as follows:

1. Grant of Security Interest. In consideration of and pursuant to the terms of the Security Agreement and for other good, valuable and sufficient consideration, the receipt and sufficiency of which is hereby acknowledged, and to secure the prompt and complete payment and performance of the Obligations, the Grantor does hereby assign and grant to the Collateral Agent, for the benefit of the Collateral Agent and the Purchasers, a continuing lien and security interest all their present and future right, title and interest in and to: (a) all of the Grantor's right, title and interest in and to (i) the patents and the inventions described and claimed therein set forth on Schedule A hereto and any future patents of Grantor (hereinafter referred to collectively as the "Patents"); (ii) the applications for Patents and the inventions described and claimed therein set forth on Schedule A hereto and any Patents which may be issued upon any of said applications and any future patent applications of Grantor (hereinafter referred to collectively as the "Applications"); (iii) any reissue, extension, division or continuation of the Patents or the Applications (such reissues, extensions, divisions and continuations being herein referred to

collectively as the **"Reissued Patents"**); (iv) all future royalties or other fees paid or payment or payments made or to be made to the Grantor in respect of the Patents; and (v) proceeds of any and all of the foregoing (the Patents, Applications, Reissued Patents and Royalties and proceeds being herein referred to collectively as the **"Patent Rights"**); and (b) all rights, interests, claims and demands that the Grantor has or may have in existing and future profits and damages for past and future infringements of the Patent Rights (such rights, interests, claims and demands being herein called the **"Claims"**) (the Patent Rights and Claims collectively referred to as the **"Patent Collateral"**).

2. Representations and Warranties. The Grantor warrants and represents to the Collateral Agent and the Purchasers that: (a) the Grantor is the true and lawful exclusive owner of the Patent Rights set forth on Schedule A, including all rights and interests herein granted; (b) both the Patent Collateral and the security interests granted herein are valid and enforceable, and no claim has been made that the use of any such Patent Collateral does or may violate the rights of any third party; (c) the Grantor has full power and authority to execute and deliver this Rider; (d) the Grantor has no notice of any suits or actions commenced or threatened against it, or notice of claims asserted or threatened against it, with reference to the Patent Rights and the interests granted herein; and (e) the Patent Rights and all interests granted herein are so granted free from all liens, charges, claims, options, licenses, pledges and encumbrances of every kind and character other than Permitted Liens.

3. Covenants. The Grantor further covenants to the Collateral Agent and the Purchasers that: (a) until all of the Obligations have been satisfied in full, the Grantor will not enter into any agreement, including without limitation, license agreements, which are inconsistent with the Grantor's obligations under this Rider; and (b) if the Grantor acquires rights to any new Patent Collateral, the provisions of this Rider shall automatically apply thereto and the Grantor shall give the Collateral Agent prompt written notice thereof along with an amended Schedule A; provided, however, that notwithstanding anything to the contrary contained in this Agreement, the Grantor shall have the right to enter into agreements in the ordinary course of business with respect to the Patent Collateral.

4. Maintenance of Patent Collateral. The Grantor further covenants that: until all of the Obligations have been satisfied in full, it will (i) not enter into any agreements, including without limitation, license agreements, which are inconsistent with the Grantor's undertakings and covenants under this Rider or which restrict or impair the Collateral Agent's or the Purchasers' rights hereunder and (ii) subject to the qualifications, if any, in this Rider, maintain the Patent Collateral in full force and effect.

5. Negative Pledge. Other than in accordance with this Rider, the Grantor shall not sell, assign or further encumber its rights and interest in the Patent Collateral without prior written consent of the Collateral Agent.

6. Remedies Upon Default. (a) Anything herein contained to the contrary notwithstanding, if and while an Event of Default exists under the Loan Documents, the Grantor hereby covenants and agrees that the Collateral Agent, as the holder of a security interest under the Uniform Commercial Code, may take such action permitted under the Loan Documents or permitted by law, in its exclusive discretion, to foreclose upon the Patent Collateral covered hereby.

(b) For such purposes, and in the event an Event of Default has occurred and is continuing under the Loan Documents beyond any applicable cure period, the Grantor hereby authorizes and empowers the Collateral Agent to make, constitute and appoint any officer or agent of the Purchasers as the Collateral Agent may select, in its exclusive discretion, as the Grantor's true and lawful attorney-in-fact, with the power to endorse the Grantor's name on all applications, documents, papers and instruments necessary for the Collateral Agent to use the Patent Collateral or to grant or issue any exclusive or non-exclusive license under the Patent Collateral to anyone else, or necessary for the Collateral Agent to assign, pledge, convey or otherwise transfer title in or dispose of the Patent Collateral itself or to anyone else. The Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof after the occurrence and during the continuance of an Event of Default beyond any applicable cure period, except for the gross negligence or willful misconduct of such attorney.

This power of attorney shall be irrevocable for the life of this Rider and the Loan Documents, and until all the Obligations are satisfied in full.

(c) The Grantor expressly acknowledges that this Rider shall be recorded with the Patent and Trademark Office in Washington, D.C.

7. Prosecution of Patent Applications. (a) The Grantor shall, at its own expense, diligently maintain all patents and diligently file and prosecute all patent applications relating to the inventions described and claimed in the Patent Collateral in the United States Patent and Trademark Office, and shall pay or cause to be paid in their customary fashion all fees and disbursements in connection therewith, and shall not abandon any such application prior to the exhaustion of all administrative and judicial remedies or disclaim or dedicate any Patent without the prior written consent of the Collateral Agent if such Patent or patent application is material to the Grantor's business. The Grantor shall not abandon any Patent Collateral without the prior written consent of the Collateral Agent.

(b) Any and all fees, costs and expenses, including reasonable attorneys' fees and expenses incurred by the Collateral Agent in connection with the preparation, modification, enforcement or termination of this Rider and all other documents relating hereto and the consummation of this transaction, the filing and recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances or costs otherwise incurred in defending or prosecuting any actions or proceedings arising out of or related to the Patent Collateral shall be paid by the Grantor on demand by the Collateral Agent.

(c) The Grantor shall have the right to bring suit in the name of the Grantor to enforce the Patent Collateral, in which case the Collateral Agent may, at the Collateral Agent's option, be joined as a nominal party to such suit if the Collateral Agent shall be satisfied that such joinder is necessary and that the Collateral Agent is not thereby incurring any risk of liability by such joinder. The Grantor shall promptly, upon written demand, reimburse and indemnify, defend and hold harmless the Collateral Agent and the Purchasers for all damages, costs and expenses, including reasonable attorneys' fees, incurred by the Collateral Agent and the Purchasers pursuant to this paragraph and all other actions and conduct of the Grantor with respect to the Patent Rights during the term of this Rider.

8. Subject to Security Agreement. This Rider shall be subject to the terms, provisions, and conditions set forth in the Security Agreement and may not be modified without the written consent of the party against whom enforcement is being sought.

9. Inconsistent with Security Agreement. All rights and remedies herein granted to the Collateral Agent shall be in addition to any rights and remedies granted to the Purchasers under the Loan Documents. In the event of an inconsistency between (a) this Rider and the Loan Agreement, the language of the Loan Agreement shall control, and (b) this Rider and the Security Agreement, the language of the Security Agreement shall control. The terms and conditions of the Security Agreement are hereby incorporated herein by reference.

10. Termination of Agreement. Upon payment and performance of all Obligations under the Loan Documents, the Collateral Agent shall execute and deliver to the Grantor all documents necessary to terminate the Collateral Agent's (for the benefit of the Collateral Agent and the Purchasers) security interest in the Patent Collateral.

11. Fees and Expenses. Any and all reasonable fees, costs and expenses, of whatever kind or nature, including the reasonable attorneys' fees and legal expenses incurred by the Collateral Agent in connection with the preparation of this Rider and all other documents relating hereto and the consummation of this transaction, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, reasonable counsel fees, maintenance fees, encumbrances or costs otherwise incurred in

protecting, maintaining, preserving the Patent Collateral, or in defending or prosecuting any actions or proceedings arising out of or related to the Patent Collateral, in each case in accordance with the terms of this Rider, shall be borne and paid by the Grantor on demand by the Collateral Agent and until so paid shall be added to the principal amount of the Obligations to the Purchasers and shall bear interest at the contract rate therefor.

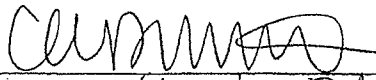
12. Reserved.

13. Governing Law. THIS RIDER WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE COLLATERAL AGENT'S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES, EXCEPT THAT THE FEDERAL LAWS OF THE UNITED STATES OF AMERICA SHALL GOVERN TO THE EXTENT APPLICABLE.

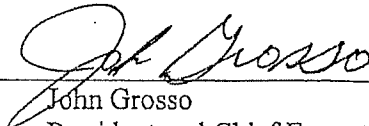
14. Counterparts. This Rider may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Rider by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Agreement by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

WITNESS the due execution hereof as a document under seal, as of the date first written above.


WITNESS / ATTEST:


Print Name: Christine DeMaere Hoke
Title: _____
(Include title only if an officer of entity signing to the right)

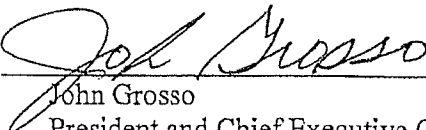
PORTRAIT INNOVATIONS, INC.

By: 
John Grosso (SEAL)
President and Chief Executive Officer

WITNESS / ATTEST:


Print Name: Christine DeMaere Hoke
Title: _____
(Include title only if an officer of entity signing to the right)

PORTRAIT INNOVATIONS HOLDING
COMPANY

By: 
John Grosso (SEAL)
President and Chief Executive Officer

CAPITALSOUTH PARTNERS SBIC FUND III,
L.P.,
a Delaware limited partnership, as Collateral Agent

By: CAPITALSOUTH PARTNERS F-III, LLC,
its general partner

By: _____
Joseph B. Alala III
President and Chief Executive Officer

Rider to Security Agreement/Patents
Portrait Innovations/CapitalSouth
46495-0002
DAM00170689

PATENT
REEL: 035041 FRAME: 0359

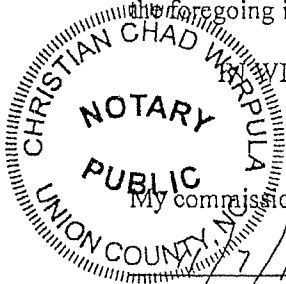
STATE OF NORTH CAROLINA

COUNTY OF UNION

SS:

On this, the 24th day of February, 2015, before me, a Notary Public, the undersigned officer, personally appeared John Grosso, who acknowledged himself to be the President and Chief Executive Officer of PORTRAIT INNOVATIONS, INC., a Delaware corporation, and that he, in such capacity, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing on behalf of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



My commission expires:

Christian Chad Wappula
Notary Public

Print Name CHRISTIAN CHAD WAPPULA

STATE OF NORTH CAROLINA

COUNTY OF UNION

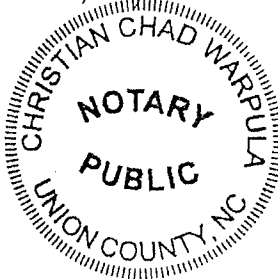
SS:

On this, the 24th day of February, 2015, before me, a Notary Public, the undersigned officer, personally appeared John Grosso, who acknowledged himself to be the President and Chief Executive Officer of PORTRAIT INNOVATIONS HOLDING COMPANY, a Delaware corporation, and that he, in such capacity, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing on behalf of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My commission expires:

11/7/17



Christian Chad Wappula
Notary Public

Print Name CHRISTIAN CHAD WAPPULA

Rider to Security Agreement/Patents
Portrait Innovations/CapitalSouth
46493-0002
DAW400170689

WITNESS the due execution hereof as a document under seal, as of the date first written above.

WITNESS / ATTEST:

PORTRAIT INNOVATIONS, INC.

Print Name: _____
Title: _____
(Include title only if an officer of entity signing to the right)

By: _____
John Grosso (SEAL)
President and Chief Executive Officer

WITNESS / ATTEST:

PORTRAIT INNOVATIONS HOLDING
COMPANY


Print Name: _____
Title: _____
(Include title only if an officer of entity signing to the right)

By: _____
John Grosso (SEAL)
President and Chief Executive Officer

CAPITALSOUTH PARTNERS SBIC FUND III,
L.P.,

a Delaware limited partnership, as Collateral Agent

By: CAPITALSOUTH PARTNERS F-III, LLC,
its general partner

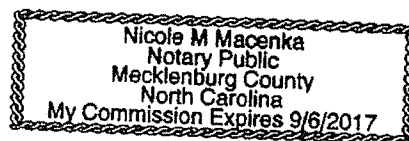
By: 
Joseph B. Alala III
President and Chief Executive Officer

Rider to Security Agreement/Patents
Portrait Innovations/CapitalSouth
46495-0002
DA\400170689

PATENT
REEL: 035041 FRAME: 0361

STATE OF North Carolina
COUNTY OF Mecklenburg

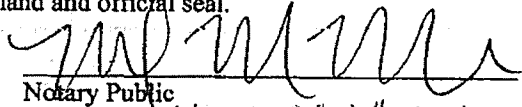
ss:



On this, the 23 day of February, 2015, before me, a Notary Public, the undersigned officer, personally appeared Joseph B. Alala III, who acknowledged himself to be the President and Chief Executive Officer of CAPITALSOUTH PARTNERS F-III, LLC, the general partner of CAPITALSOUTH PARTNERS SBIC FUND III, L.P., and that he, as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing on behalf of said entity as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My commission expires: 9/6/2017


Notary Public

Print Name: NICOLE M. MACENKA

SCHEDULE A TO RIDER TO SECURITY AGREEMENT - PATENTS

Title	Application No.	Application Date	Registration No.	Registration Date	Status
SYSTEM AND METHOD FOR PRODUCING DIGITAL IMAGE PHOTO-SPECIALTY PRODUCTS	13/347271	1/10/12			Pending
SYSTEM, METHOD, AND COMPUTER PROGRAM PRODUCT FOR EVALUATING PHOTOGRAPHIC PERFORMANCE	11/682471	3/6/07	8065197	11/22/11	Registered
SYSTEMS AND METHODS FOR PRODUCING PORTRAITS	11/681327	3/27/07	7580148	8/5/09	Registered
SYSTEMS AND METHODS FOR PRODUCING PORTRAITS	10/339135	1/9/03	7193742	3/20/07	Registered

Rider to Security Agreement/Patents
Portrait Innovations/CapitalSouth
46495-0002
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RECORDED: 02/26/2015

PATENT
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