

Form PTO-1594 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002)

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office

Tab settings

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies): Quallaby Corporation. Includes checkboxes for Individual(s), Association, General Partnership, Limited Partnership, Corporation-State DE, and Other. Additional name(s) of conveying party(ies) attached? Yes No.

2. Name and address of receiving party(ies): Name: Silicon Valley Bank dba Silicon Valley East. Internal Address: 3003 Tasman Drive. City: Santa Clara State: CA Zip: 95054. Includes checkboxes for citizenship and partnership types. If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No.

3. Nature of conveyance: Includes checkboxes for Assignment, Merger, Security Agreement, Change of Name, and Other. Execution Date: 5/20/04.

4. Application number(s) or registration number(s): A. Trademark Application No.(s) B. Trademark Registration No.(s) 2401758; 2279397; 2348707; 2348709; 2283866; 2675144. Additional number(s) attached: Yes No.

6. Total number of applications and registrations involved: 6. 7. Total fee (37 CFR 3.41): \$ 165.00. Includes checkboxes for Enclosed and Authorized to be charged to deposit account.

5. Name and address of party to whom correspondence concerning document should be mailed: Name: Christopher E. Kondracki. Internal Address: Street Address: 2001 Jefferson Davis, Hwy. Suite 1007. City: Arlington State: VA Zip: 22202.

8. Deposit account number: 19-3545.

DO NOT USE THIS SPACE

9. Signature. Christopher E. Kondracki. Signature: [Handwritten Signature] Date: 6/9/04. Total number of pages including cover sheet, attachments, and document: 12.

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

CH \$165.00 193545 2401758

INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Intellectual Property Security Agreement (this "IP Agreement") is made as of the 20th day of May, 2004, by and between **QUALLABY CORPORATION**, a Delaware corporation with its principal place of business at 59 Composite Way, Suite 400, Lowell, Massachusetts 01851 ("Grantor"), and **SILICON VALLEY BANK**, a California-chartered bank, with its principal place of business at 3003 Tasman Drive, Santa Clara, California 95054 and with a loan production office located at One Newton Executive Park, Suite 200, 2221 Washington Street, Newton, Massachusetts 02462, doing business under the name "Silicon Valley East" ("Lender").

RECITALS

A. Lender has agreed to make advances of money and to extend certain financial accommodations (the "Loan") to Quallaby North America, Inc. (the "Borrower"), pursuant to a certain Export-Import Bank Loan and Security Agreement dated as of May 20, 2004, between Borrower and Lender, as amended from time to time (as amended, the "Loan Agreement").

B. Grantor has executed and delivered a certain Unconditional Guaranty of even date herewith (the "Guaranty"), pursuant to which the Grantor unconditionally guaranteed the payment and performance of the Loan. The Guaranty is secured pursuant to the terms of a certain Security Agreement of even date herewith by and between the Grantor and Lender (the "Security Agreement"). Defined terms used but not defined herein shall have the same meanings as in the Security Agreement.

C. Pursuant to the terms of the Security Agreement, Grantor has granted to Lender a security interest in all of Grantor's right title and interest, whether presently existing or hereafter acquired in, to and under all of the Collateral (as defined therein).

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged and intending to be legally bound, as collateral security for the prompt and complete payment when due of Grantor's Indebtedness (as defined below), Grantor hereby represents, warrants, covenants and agrees as follows:

1. Grant of Security Interest. As collateral security for the prompt and complete payment and performance of all of Grantor's present or future indebtedness, obligations and liabilities to Lender (hereinafter, the "Indebtedness"), including, without limitation, under the Guaranty and Security Agreement, Grantor hereby grants a security interest in all of Grantor's right, title and interest in, to and under its registered and unregistered intellectual property collateral owned by Grantor (all of which shall collectively be called the "Intellectual Property Collateral"), including, without limitation, the following:

(a) Any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished, registered or unregistered, and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held, including without limitation those copyright applications and copyright registrations set forth on EXHIBIT A attached hereto (collectively, the "Copyrights");

(b) Any and all trade secret rights, including any rights to unpatented inventions, know-how, operating manuals, license rights and agreements (subject to Section 2.3 of the Security Agreement), and confidential information, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;

(c) Any and all design rights which may be available to Grantor now or hereafter existing, created, acquired or held;

(d) 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 B attached hereto (collectively, the "Patents");

(e) Any trademark and service mark rights, slogans, trade dress, and tradenames, trade styles, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Grantor connected with and symbolized by such trademarks, including without limitation those set forth on EXHIBIT C attached hereto (collectively, the "Trademarks");

(f) All mask works or similar rights available for the protection of semiconductor chips, now owned or hereafter acquired, (collectively, the "Mask Works");

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

(h) All licenses or other rights to use any of the Copyrights, Patents, Trademarks, or Mask Works and all license fees and royalties arising from such use to the extent permitted by such license or rights, (collectively, the "Licenses"); and

(i) All amendments, extensions, renewals and extensions of any of the Copyrights, Trademarks, Patents, or Mask Works; and

(j) 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.

2. Authorization and Request. Grantor authorizes and requests that the Register of Copyrights and the Commissioner of Patents and Trademarks record this IP Agreement, and any amendments thereto, or copies hereof.

3. Covenants and Warranties. Grantor represents, warrants, covenants and agrees as follows:

(a) Grantor is now the sole owner of the Intellectual Property Collateral, except for non-exclusive licenses, sub-licenses, assignments or similar arrangements granted by Grantor to its customers in good faith and in a manner that the board of directors reasonably believes is in or is not opposed to best interest of Grantor.

(b) Performance of this IP Agreement does not conflict with or result in a breach of any material agreement to which Grantor is bound in any material respect.

(c) During the term of this IP Agreement, Grantor will not transfer or otherwise encumber any interest in the Intellectual Property Collateral, except for non-exclusive licenses, sub-licenses, assignments or similar arrangements granted by Grantor in good faith and in a manner that the board of directors reasonably believes is in or is not opposed to best interest of Grantor or as set forth in this IP Agreement;

(d) To its knowledge, each of the issued Patents is valid and enforceable, and no part of the Intellectual Property Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Intellectual Property Collateral violates the rights of any third party;

(e) Grantor shall promptly advise Lender of any material adverse change in the composition of the Intellectual Property Collateral-;

(f) Grantor shall (i) protect, defend and maintain the validity and enforceability of the Trademarks, Patents, Copyrights, and Mask Works, as required in the exercise of its good business

judgment (ii) use its reasonable efforts to detect infringements of the Trademarks, Patents, Copyrights, and Mask Works and promptly advise Lender in writing of material infringements detected and (iii) not allow any Trademarks, Patents, Copyrights, or Mask Works to be abandoned, forfeited or dedicated to the public without the written consent of Lender, which shall not be unreasonably withheld, unless Grantor determines that reasonable business practices suggest that such abandonment, forfeiture, or dedication is appropriate.

(g) Grantor shall take such further actions as Lender may reasonably request from time to time to perfect or continue the perfection of Lender's interest in the Intellectual Property Collateral;

(h) This IP Agreement creates, and in the case of after acquired Intellectual Property Collateral, this IP Agreement will create at the time Grantor first has rights in such after acquired Intellectual Property Collateral, in favor of Lender a valid and perfected first priority security interest in the Intellectual Property Collateral in the United States securing the payment and performance of the obligations evidenced by the Security Agreement;

(i) To its knowledge, except for, and upon, the filing of UCC financing statements, or other notice filings or notations in appropriate filing offices, if necessary to perfect the security interests created hereunder, no authorization, approval or other action by, and no notice to or filing with, any U.S. governmental authority or U.S. regulatory body is required either (a) for the grant by Grantor of the security interest granted hereby, or for the execution, delivery or performance of this IP Agreement by Grantor in the U.S. or (b) for the perfection in the United States or the exercise by Lender of its rights and remedies thereunder;

(j) All information heretofore, herein or hereafter supplied to Lender by or on behalf of Grantor with respect to the Intellectual Property Collateral is and shall be accurate and complete in all material respects.

(k) Upon any executive officer of Grantor obtaining actual knowledge thereof, Grantor will promptly notify Lender in writing of any event that materially adversely affects the value of any material Intellectual Property Collateral, the ability of Grantor to dispose of any material Intellectual Property Collateral or the rights and remedies of Lender in relation thereto, including the levy of any legal process against any material portion of the Intellectual Property Collateral.

4. Lender's Rights. Lender shall have the right, but not the obligation, to take, at Grantor's sole expense, any actions that Grantor is required under this IP Agreement to take but which Grantor fails to take, after fifteen (15) days' notice to Grantor. Grantor shall reimburse and indemnify Lender for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this section 4.

5. Inspection Rights. Subject to the rights of third parties, to the extent such third parties' rights are senior to Lender, Grantor hereby grants to Lender and its employees, representatives and agents the right to visit, during reasonable hours upon prior reasonable written notice to Grantor, any of Grantor's plants and facilities that manufacture, install or store products (or that have done so during the prior six-month period) that are sold utilizing any of the Intellectual Property Collateral, and to inspect the products and quality control records relating thereto upon reasonable written notice to Grantor and as often as may be reasonably requested, but not more than once in every six (6) months; provided, however, nothing herein shall entitle Lender access to Grantor's trade secrets and other proprietary information.

6. Further Assurances: Attorney in Fact.

(a) On a continuing basis, Grantor will, upon request by Lender, 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

Trademarks Office and the Register of Copyrights, and take all such action as may reasonably be deemed necessary or advisable, to perfect Lender's security interest in all Copyrights, Patents, Trademarks, and Mask Works and otherwise to carry out the intent and purposes of this IP Agreement, or for assuring and confirming to Lender the grant or perfection of a security interest in all Intellectual Property Collateral.

(b) In addition to section 6(a) above, Grantor shall not register any Copyrights or Mask Works in the United States Copyright Office unless it: (i) has given at least fifteen (15) days' prior written notice to Lender of its intent to register such Copyrights or Mask Works and has provided Lender with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (ii) executes a security agreement or such other documents as Lender may reasonably request in order to maintain the perfection and priority of Lender's security interest in the Copyrights proposed to be registered with the United States Copyright Office; and (iii) records such security documents with the United States Copyright Office contemporaneously with filing the Copyright application(s) with the United States Copyright Office. Grantor shall promptly provide to Lender a copy of the Copyright application(s) filed with the United States Copyright Office, together with evidence of the recording of the security documents necessary for Lender to maintain the perfection and priority of its security interest in such Copyrights or Mask Works. Grantor shall provide written notice to Lender of any application filed by Grantor in the United States Patent Trademark Office for a patent or to register a trademark or service mark within 30 days of any such filing.

(c) Grantor hereby irrevocably appoints Lender as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, Lender or otherwise, from time to time in Lender's discretion, upon Grantor's failure or inability to do so, to take any action and to execute any instrument which Lender may deem necessary or advisable to accomplish the purposes of this IP Agreement, including:

(i) To modify, in its sole discretion, with notice to Borrower this IP Agreement without first obtaining Grantor's approval of or signature to such modification by amending Exhibit A, Exhibit B, Exhibit C, and Exhibit D hereof, as appropriate, to include reference to any right, title or interest in any Copyrights, Patents, Trademarks or Mask Works acquired by Grantor after the execution hereof or to delete any reference to any right, title or interest in any Copyrights, Patents, Trademarks, or Mask Works in which Grantor no longer has or claims any right, title or interest; and

(ii) To file, in its sole discretion, one or more financing or continuation statements and amendments thereto, or other notice filings or notations in appropriate filing offices, relative to any of the Intellectual Property Collateral, without notice to Grantor, with all appropriate jurisdictions, as Lender deems appropriate, in order to further perfect or protect Lender's interest in the Intellectual Property Collateral.

7. Events of Default. The occurrence of any of the following shall constitute an Event of Default under this IP Agreement:

(a) An Event of Default occurs under the Security Agreement; or

(b) Grantor breaches any other warranty or agreement made by Grantor in this IP Agreement and Grantor fails to cure such breach within thirty (30) days after receipt of notice.

8. Remedies. Upon the occurrence and continuance of an Event of Default, Lender shall have the right to exercise all the remedies of a secured party under the Massachusetts Uniform Commercial Code, including without limitation the right to require Grantor to assemble the Intellectual Property Collateral and any tangible property in which Lender has a security interest and to make it available to Lender at a place designated by Lender. Lender shall have a nonexclusive, royalty free license to use the Copyrights, Patents, Trademarks, and Mask Works to the extent reasonably necessary to permit Lender to exercise its rights and remedies upon the occurrence of an Event of Default. Grantor will pay any expenses (including reasonable attorney's fees) incurred by Lender in connection with the exercise of any of Lender's rights hereunder, including without limitation any expense incurred

in disposing of the Intellectual Property Collateral. All of Lender's rights and remedies with respect to the Intellectual Property Collateral shall be cumulative.

9. Indemnity. Grantor agrees to defend, indemnify and hold harmless Lender and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this IP Agreement, and (b) all losses or expenses in any way suffered, incurred, or paid by Lender as a result of or in any way arising out of, following or consequential to transactions between Lender and Grantor, whether under this IP Agreement or otherwise (including without limitation, reasonable attorneys fees and reasonable expenses), except for losses arising from or out of Lender's gross negligence or willful misconduct.

10. Termination. At such time as Grantor shall completely satisfy all of the obligations secured hereunder, Lender shall execute and deliver to Grantor all releases, terminations, and other instruments as may be necessary or proper to release the security interest hereunder.

11. Course of Dealing. No course of dealing, nor any failure to exercise, nor any delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

12. Amendments. This IP Agreement may be amended only by a written instrument signed by both parties hereto.

13. Counterparts. This IP Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute the same instrument.

14. Law and Jurisdiction. This IP Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts. GRANTOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE COMMONWEALTH OF MASSACHUSETTS IN ANY ACTION, SUIT, OR PROCEEDING OF ANY KIND, AGAINST IT WHICH ARISES OUT OF OR BY REASON OF THIS AGREEMENT; PROVIDED, HOWEVER, THAT IF FOR ANY REASON LENDER CANNOT AVAIL ITSELF OF THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS, GRANTOR ACCEPTS JURISDICTION OF THE COURTS AND VENUE IN SANTA CLARA COUNTY, CALIFORNIA. NOTWITHSTANDING THE FOREGOING, THE LENDER SHALL HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST THE GRANTOR OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION WHICH THE LENDER DEEMS NECESSARY OR APPROPRIATE IN ORDER TO REALIZE ON THE COLLATERAL OR TO OTHERWISE ENFORCE THE LENDER'S RIGHTS AGAINST THE GRANTOR OR ITS PROPERTY.

GRANTOR AND LENDER EACH HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH PARTY RECOGNIZES AND AGREES THAT THE FOREGOING WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR IT TO ENTER INTO THIS AGREEMENT. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

EXECUTED as a sealed instrument under the laws of the Commonwealth of Massachusetts on the day and year first written above.

Address of Grantor:

59 COMPOSITE WAY, SUITE 40
LOWELL, MA 01851

GRANTOR:

QUALLABY CORPORATION

By: 

Name: Raymond W. DeZenzo, Jr.

Title: Chief Financial Officer

56120/843

Exhibit "A" attached to that certain Intellectual Property Security Agreement dated 5/20, 2004.

EXHIBIT "A"

COPYRIGHTS

SCHEDULE A - ISSUED COPYRIGHTS

COPYRIGHT
DESCRIPTION

REGISTRATION
NUMBER

DATE OF
ISSUANCE

NONE

SCHEDULE B - PENDING COPYRIGHT APPLICATIONS

FIRST DATE
COPYRIGHT
DESCRIPTION

APPLICATION
NUMBER

DATE OF
FILING

DATE OF
CREATION

OF PUBLIC
DISTRIBUTION

NONE

Exhibit "B" attached to that certain Intellectual Property Security Agreement dated 5/20, 2004.

EXHIBIT "B"

PATENTS

<u>PATENT</u>	<u>DOCKET NO.</u>	<u>COUNTRY</u>	<u>SERIAL NO.</u>	<u>FILING DATE</u>	<u>STATUS</u>
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NONE

Exhibit "C" attached to that certain Intellectual Property Security Agreement dated _____, 2004.

EXHIBIT "C"

TRADEMARKS



<u>TRADEMARK</u>	<u>DESCRIPTION</u>	<u>COUNTRY</u>	<u>SERIAL NO.</u>	<u>REG. NO.</u>	<u>STATUS</u>
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AS SET FORTH ON THE SCHEDULE ATTACHED HERETO.

833335.1

**Service Marks and Trademarks Owned by Quallaby Corporation
as of May 2004**

Issued Registrations

Mark	Country	Reg. No.	Reg. Date
MISCELLANEOUS DESIGN 	United States	2401758	11/0700
PROVISO	United States	2279397	09/21/99
PROVISO MANAGER	United States	2348707	05/09/00
PROVISO REPORT	United States	2348709	05/09/00
QUALLABY	Massachusetts	55055	11/12/97
QUALLABY	United States	2283866	10/05/99
QUALLABY CORPORATION and design 	United States	2675144	01/14/03