

08-02-2004



102805055

FORM PTO-1594

RECOR

U.S. DEPARTMENT OF COMMERCE

Patent and Trademark Office

(Rev. 03/01)

OMB No. 0651-0027 (exp. 05/31/2002)

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

7-29-04

1. Name of conveying party(ies):
Three-Five Systems, Inc.

- Individual(s)
- General Partnership
- Corporation-State
- Other
- Association
- Limited Partnership

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

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other
- Merger
- Change of Name

06/25/04

2. Name and address of receiving party(ies):

Name: Silicon Valley Bank
Internal Address: HA155

Street Address: 3003 Tasman Drive

City: Santa Clara State: CA ZIP: 95054

- Individual(s) citizenship
- Association
- General Partnership
- Limited Partnership
- Corporation-State-DE
- Other

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No

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

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

78/192,507 78/030,627

78/192,517 78/030,622

78/030,699 78/226,578

78/030,698 78/226,571

78/030,701

78/030,602

B. Trademark No.(s)

2,201,188

1,503,432

2,399,250

2,239,760

2,336,495

2,272,855

Additional numbers attached? Yes No

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

Name: Silicon Valley Bank

Internal Address: Loan Documentation HA155

Street Address: 3003 Tasman Dr.

City: Santa Clara State: Ca ZIP: 95054

6. Total number of applications and registrations involved: 16

7. Total fee (37 CFR 3.41): \$ 415.00

Enclosed

Authorized to be charged to deposit account

8. Deposit account number:

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

07/30/2004 NGETACHE 00000013 78192507

01 FC:0521
02 FC:0522

40.00 OP
375.00 OP

Insha Sedillo
Name of Person Signing
Amy Wikert

Insha Sedillo
Signature

7/20/04
Date

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

Mail documents to be recorded with required cover sheet information to:

Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231

TRADEMARK
REEL: 003018 FRAME: 0746

INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Intellectual Property Security Agreement (this "IP Agreement") is made and entered into as of June 25, 2004 by and between THREE-FIVE SYSTEMS, INC ("Grantor"), and Silicon Valley Bank, a California banking corporation ("Bank").

RECITALS

A. Bank has agreed to make certain advances of money and to extend certain financial accommodation to Grantor and TFS Electronic Manufacturing Services, Inc. (the "Loans") in the amounts and manner set forth in that certain Loan and Security Agreement by and between Bank and Grantor and TFS Electronic Manufacturing Services, Inc. dated June 25, 2004 (as the same may be amended, modified or supplemented from time to time, the "Loan Agreement"; capitalized terms used herein are used as defined in the Loan Agreement). Bank is willing to make the Loans to Grantor and TFS Electronic Manufacturing Services, Inc., but only upon the condition, among others, that Grantor shall grant to Bank a security interest in certain Copyrights, Trademarks, Patents, and Mask Works to secure the obligations of Grantor under the Loan Agreement.

B. Pursuant to the terms of the Loan Agreement, Grantor has granted to Bank 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.

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 and TFS Electronic Manufacturing Services, Inc.'s Indebtedness under the Loan Agreement, 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 and TFS Electronic Manufacturing Services, Inc.'s present or future Indebtedness, obligations and liabilities to Bank, Grantor hereby grants a security interest in all of Grantor's right, title and interest in, to and under its Intellectual Property Collateral (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 and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held, including without limitation those set forth on Exhibit A attached hereto (collectively, the "Copyrights");

(b) Any and all trade secrets, 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 servicemark rights, 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, including, without limitation those set forth on Exhibit D attached hereto (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; 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.

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 granted by Grantor to its customers in the ordinary course of business.

(b) Performance of this IP Agreement does not conflict with or result in a breach of any IP Agreement to which Grantor is bound, except to the extent that certain intellectual property agreements prohibit the assignment of the rights thereunder to a third party without the licensor's or other party's consent and this IP Agreement constitutes a security interest.

(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 granted by Grantor in the ordinary course of business or as set forth in this IP Agreement;

(d) To its knowledge, each of the 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 Bank of any material adverse change in the composition of the Collateral, including but not limited to any subsequent ownership right of the Grantor in or to any Trademark, Patent, Copyright, or Mask Work specified in this IP Agreement;

(f) Grantor shall (i) protect, defend and maintain the validity and enforceability of all material Trademarks, Patents, Copyrights, and Mask Works which have not been abandoned, and (ii) not allow any Trademarks, Patents, Copyrights, or Mask Works to be abandoned, forfeited or dedicated to the public without the written consent of Bank, which shall not be unreasonably withheld, unless Grantor determines that reasonable business practices suggest that abandonment is appropriate.

(g) Grantor shall not register any Copyrights or Mask Works with the United States Copyright Office unless it: (i) has given at least fifteen (15) days' prior notice to Bank of its intent to register such Copyrights or Mask Works and has provided Bank 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 Bank may reasonably request in order to maintain the perfection and priority of Bank'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 Bank 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 Bank to maintain the perfection and priority of its security interest in such Copyrights or Mask Works. Grantor shall provide written notice to Bank 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;

(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 Bank 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 Loan Agreement upon making the filings referred to in clause (i) below;

(i) To its knowledge, except for, and upon, the filing with the United States Patent and Trademark office with respect to the Patents and Trademarks and the Register of Copyrights with respect to the Copyrights and Mask Works necessary to perfect the security interests created hereunder and except as has been already made or obtained, 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 (i) 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 (ii) for the perfection in the United States or the exercise by Bank of its rights and remedies thereunder, it being understood that this section does not relate to Intellectual Property Collateral registered in foreign countries;

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

(k) Grantor shall not enter into any agreement that would materially impair or conflict with Grantor's obligations hereunder without Bank's prior written consent, which consent shall not be unreasonably withheld. Grantor shall not permit the inclusion in any material contract to which it becomes a party of any provisions that could or might in any way prevent the creation of a security interest in Grantor's rights and interest in any property included within the definition of the Intellectual property Collateral acquired under such contracts, except that certain contracts may contain anti-assignment provisions that could in effect prohibit the creation of a security interest in such contracts.

(l) Upon any executive officer of Grantor obtaining actual knowledge thereof, Grantor will promptly notify Bank 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 of the rights and remedies of Bank in relation thereto, including the levy of any legal process against any of the Intellectual Property Collateral.

4. Bank's Rights. Bank 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, except with respect to Intellectual Property Collateral that has been abandoned, but which Grantor fails to take, after fifteen (15) days' notice to Grantor. Grantor shall reimburse and indemnify Bank for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this section 4.

5. Inspection Rights. Grantor hereby grants to Bank and its employees, representatives and agents the right to visit, during reasonable hours upon prior reasonable written notice to Grantor, and 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 one (1) in every six (6) months; provided, however, nothing herein shall entitle Bank access to Grantor's trade secrets and other proprietary information.

6. Further Assurances; Attorney in Fact.

(a) On a continuing basis, Grantor 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 Trademarks Office and the Register of Copyrights, and take all such action as may reasonably be deemed necessary or advisable, or as requested by Bank, to perfect Bank'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 Bank the grant or perfection of a security interest in all Intellectual Property Collateral.

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

(i) To modify, in its sole discretion, 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, relative to any of the Intellectual Property Collateral without the signature of Grantor where permitted by law.

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 Loan Agreement; or

(b) Grantor breaches any warranty or agreement made by Grantor in this IP Agreement.

8. Remedies. Upon the occurrence and continuance of an Event of Default, Bank shall have the right to exercise all the remedies of a secured party under the California Uniform Commercial Code, including without limitation the right to require Grantor to assemble the Intellectual Property Collateral and any tangible property in which Bank has a security interest and to make it available to Bank at a place designated by Bank. Bank shall have a nonexclusive, royalty free license to use the Copyrights, Patents, Trademarks, and Mask Works to the extent reasonably necessary to permit Bank 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 Bank in connection with the exercise of any of Bank's rights hereunder, including without limitation any expense incurred in disposing of the Intellectual Property Collateral. All of Bank's rights and remedies with respect to the Intellectual Property Collateral shall be cumulative.

9. Indemnity. Grantor agrees to defend, indemnify and hold harmless Bank 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 Bank as a result of or in any way arising out of, following or consequential to transactions between Bank 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 Bank's gross negligence or willful misconduct.

10. Reassignment. At such time as Grantor shall completely satisfy all of the obligations secured hereunder, Bank shall execute and deliver to Grantor all deed, assignments, and other instruments as may be necessary or proper to reinvest in Grantor full title to the property assigned hereunder, subject to any disposition thereof which may have been made by Bank pursuant hereto.

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. Attorneys' Fees. If any action relating to this IP Agreement is brought by either party hereto against the other party, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs and disbursements.

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

14. 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.

15. Law and Jurisdiction. This IP Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard for choice of law provisions. Grantor and Bank consent to the nonexclusive jurisdiction of any state or federal court located in Santa Clara County, California.

16. Confidentiality. In handling any confidential information, Bank shall exercise the same degree of care that it exercises with respect to its own proprietary information of the same types to maintain the confidentiality of any non-public information thereby received or received pursuant to this IP Agreement except that the disclosure of this information may be made (i) to the affiliates of the Bank, (ii) to prospective transferee or purchasers of an interest in the obligations secured hereby, provided that they have entered into comparable confidentiality agreement in favor of Grantor and have deliver a copy to Grantor, (iii) as required by law, regulation, rule or order, subpoena judicial order or similar order and (iv) as may be required in connection with the examination, audit or similar investigation of Bank.

IN WITNESS WHEREOF, the parties hereto have executed this IP Agreement on the day and year first above written.

Address of Grantor:

1600 N. DESERT DRIVE
Tempe, AZ 85281

GRANTOR:

THREE-FIVE SYSTEMS, INC.

By: J. D. Buchanan
Name: Jethey D. Buchanan
Title: EVN/CFO

BANK:

SILICON VALLEY BANK

Address of Bank:

3003 Tasman Drive
Santa Clara, CA 95054-1191
Attn: _____

By: Kevin L. Lee
Title: SVP

BANK:

SILICON VALLEY BANK

Address of Bank:

3003 Tasman Drive
Santa Clara, CA 95054-1191
Attn: _____

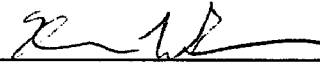
By: 
Title: SVP

Exhibit "A" attached to that certain Intellectual Property Security Agreement.

EXHIBIT "A"

COPYRIGHTS

SCHEDULE A - ISSUED COPYRIGHTS

<u>COPYRIGHT DESCRIPTION</u>	<u>REGISTRATION NUMBER</u>	<u>DATE OF ISSUANCE</u>
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None

SCHEDULE B - PENDING COPYRIGHT APPLICATIONS

<u>COPYRIGHT DESCRIPTION</u>	<u>APPLICATION NUMBER</u>	<u>DATE OF FILING</u>	<u>DATE OF CREATION</u>	<u>FIRST DATE OF PUBLIC DISTRIBUTION</u>
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None

SCHEDULE C - UNREGISTERED COPYRIGHTS (Where No Copyright Application is Pending)

<u>COPYRIGHT DESCRIPTION</u>	<u>DATE OF CREATION</u>	<u>FIRST DATE OF DISTRIBUTION</u>	<u>ORIGINAL AUTHOR OR OWNER OF COPYRIGHT (IF DIFFERENT FROM GRANTOR)</u>	<u>DATE AND RECORDATION NUMBER OF IP AGREEMENT TO OWNER OF GRANTOR (IF ORIGINAL AUTHOR OR OWNER OF COPYRIGHT IS DIFFERENT FROM GRANTOR)</u>
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Exhibit "B" attached to that certain Intellectual Property Security Agreement.

EXHIBIT "B"

PATENTS

See Attached

**EXHIBIT B
PATENTS**

Patent Title	Patent No	Application No	Country	Issue Date	Filing Date	Expiration Date	Patent Status
Display Device Formed of a Multi-Color Light Emitting Material and Method of Making Same		09/804,886	US		3/13/2001		Abandoned
Method of Making Display Formed of a Multi-Color Light Emitting Material using Flexographic Mat		10/356,865	US		2/3/2003		Published
Display Device Formed of a Multi-Color Light Emitting Material and Method of Making Same or Multi-Color Organic Display with Light-Emitting Layers Formed by Flexographic Printing		PCT/US02/07116	Europe		9/12/2003		Pending
Display Device Formed of a Multi-Color Light Emitting Material and Method of Making Same		US02/07116	PCT		3/11/2002		Published
Active Addressing System for Displays		09/056,236	US		4/7/1998	5/7/2003	Abandoned
Active Addressing System for Display		US99/05114	PCT		3/9/1999	3/1/2003	Abandoned
Display System with Secondary Viewing Image Capabilities		1946135.9	EP		6/7/2001		Published
Display System with Secondary Viewing Image Capabilities			Hong Kong				Unfiled
Display System With Secondary Viewing Image Capabilities		2002-7001677	Korea, South		6/7/2001		Published
Display System with Secondary Viewing Image Capabilities		US01/18370	PCT		6/7/2001		Completed
Display System with Secondary Viewing Image Capabilities		200200248-3	Singapore		6/7/2001		Published
Apparatus for Backlighting LCD	5,404,277	08/018273	US	4/4/1995	2/16/1993	4/4/2015	Issued
Method and Apparatus for Driving a Display			US				Completed
Method and Apparatus for Driving a Display		US01/03113	PCT		1/31/2001		Published

Exhibit "C" attached to that certain Intellectual Property Security Agreement.

EXHIBIT "C"
TRADEMARKS

See Attached

**EXHIBIT C
TRADEMARKS**

Trademark ID	Trademark Title	Country	Registration No	Registration Date	Filing No	Filing Date	Status
TFST48	EYZON		76/179,458				Abandoned
TFST1	3-5 Logo (design only)	US	2,201,188	11/3/1998	75,319,393	7/3/1997	Registered
TFST10	AVT	US			78/192,507	12/9/2002	Pending
TFST11	AVT and Design	US			78/192,517	12/9/2002	Pending
TFST16	MISCELLANEOUS DESIGN	Japan	4519807	11/2/2001	108032/2000	10/3/2000	Registered
TFST17	MISCELLANEOUS DESIGN	Korea, S.	515429	3/20/2002	2000-46694	10/6/2000	Registered
TFST19	SEE BEYOND	US			76/323,560	10/10/2001	Suspended
TFST2	ASID	US	1,503,432	9/6/1988	73,706,465	1/19/1988	Registered
TFST20	THREE-FIVE AND DESIGN	Japan	4555792	3/29/2002	108031/2000	10/3/2000	Registered
TFST21	THREE-FIVE AND DESIGN	Korea, S.	515428	3/20/2002	2000-46693	10/6/2000	Registered
TFST22	VISUALIZING IDEAS	US			78/030,699	10/15/2000	Published
TFST23	VISUALIZING IDEAS	US			78/030,698	10/15/2000	Published
TFST24	VISUALIZING IDEAS	US			78/030,701	10/15/2000	Published
TFST25	VISUALIZING IDEAS & DESIGN	US			78/030,602	10/13/2000	Published
TFST26	VISUALIZING IDEAS & DESIGN	US			78/030,627	10/13/2000	Published
TFST27	VISUALIZING IDEAS & DESIGN	US			78/030,622	10/13/2000	Published
TFST28	WE SHARE YOUR VISION	US	2,399,250	10/31/2000	75/651,696	3/2/1999	Registered
TFST3	LCAD	European	775528	3/19/1998	775528	3/19/1988	Registered
TFST39	TFS	US			78/226,578	3/17/2003	Pending
TFST4	LCAD	Philippines			4-1988-02279	3/30/1998	Pending
TFST49	TFIVE	US			78/226,571	3/17/2003	Pending
TFST5	LCAD	US	2,239,760	4/13/1999	75,366,276	10/1/1997	Registered
TFST50	T-FIVE	US			78/226,571	3/12/2003	Abandoned
TFST6	LCID (Stylized)	Japan	4424744	10/13/2000	114656/1999	12/14/1999	Registered
TFST7	LCID (Stylized)	US	2,336,495	3/28/2000	73/318,746	7/2/1997	Registered
TFST8	Three-Five and Design	US	2,272,855	8/24/1999	75,318,744	7/2/1997	Registered

Exhibit "D" attached to that certain Intellectual Property Security Agreement.

EXHIBIT "D"

MASK WORKS

<u>MASK WORK</u>	<u>DESCRIPTION</u>	<u>COUNTRY</u>	<u>SERIAL NO.</u>	<u>REG. NO</u>	<u>STATUS</u>
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None