

Form PTO-1594 (Rev. 07/05)
OMB Collection 0651-0027 (exp. 6/30/2008)

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

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies):
Palco Labs, Inc.

- Individual(s)
- General Partnership
- Corporation- State: California
- Other

- Association
- Limited Partnership

Citizenship (see guidelines)

Additional names of conveying parties attached? Yes No

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

Execution Date(s)

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

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? Yes No

Name: San Jose National Bank

Internal

Address: Attn: Loan Division

Street Address: One North Market St.

City: San Jose

State: California

Country: USA Zip: 95113

- Association
- General Partnership
- Limited Partnership
- Corporation
- Other

Citizenship

Citizenship

Citizenship

Citizenship California corp.

Citizenship

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)

4. Application number(s) or registration number(s) and identification or description of the Trademark.

A. Trademark Application No.(s)

SEE EXHIBIT A (attached)

B. Trademark Registration No.(s)

SEE EXHIBIT A (attached)

Additional sheet(s) attached? Yes No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

Medical devices (see Exhibit A, column entitled "Mark")

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

Name: ERIC S. HAIMAN

Internal Address: ATWOOD, HAIMAN & WESTERBERG

Street Address: 18805 Cox Ave.
Suite 200

City: Saratoga

State: CA Zip: 95070

Phone Number: (408) 370-5070

Fax Number: (408) 370-5725

Email Address: eric@atwoodlaw.com

6. Total number of applications and registrations involved:

6

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 165.00

- Authorized to be charged by credit card
- Authorized to be charged to deposit account
- Enclosed

8. Payment Information:

a. Credit Card Last 4 Numbers 1249
Expiration Date Oct. 2008

b. Deposit Account Number

Authorized User Name

9. Signature: Eric S. Haiman
Signature

January 27, 2006
Date

ERIC S. HAIMAN

Name of Person Signing

Total number of pages including cover sheet, attachments, and document: 11

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

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OP \$165.00 1564561

ATTACHMENT

(Trademarks)

CONTINUATION OF INFORMATION IN ITEM 1

Additional Conveying Party

Paul D. Levin

X individual

Citizenship: USA

Sent by: Palco Labs

GREATER BAY BANK
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01/17/2006 9:32; #81;

007/007
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EXHIBIT A --- a continuation of information in Item 4

U.S. TRADEMARK REGISTRATIONS OWNED BY PALCO LABS 1-1-06

| <u>Reg. No.</u> | <u>Issued</u> | <u>Mark</u> | <u>Expiration</u> |
|-----------------|---------------|-------------|-------------------|
| 1,554,561 | 9- 5-89 | EZ-LETS | 9- 5-09 |
| 1,556,640 | 9-19-89 | WET-STOP | 9-19-09 |
| 1,567,817 | 9-26-89 | INJECT-EASE | 9-26-09 |
| 1,599,459 | 6- 5-90 | INSUL-EZE | 6- 5-10 |
| 1,629,946 | 1- 1-91 | INSUL-TOTE | 1- 1-11 |
| 2,088,725 | 8-19-97 | EZ-LANCE | 8-19-07 |

EXHIBIT A

TRADEMARK

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COMMERCIAL SECURITY AGREEMENT

Palco Labs, Inc. and Paul D. Levin ("BORROWER"), and San Jose National Bank ("SECURED PARTY") agree, effective January 19, 2006, as follows:

1. Background and Purpose.

1.1. BORROWER has executed LOAN DOCUMENTS in favor of SECURED PARTY as defined in the MODIFICATION TO FORBEARANCE AGREEMENT between the parties dated effective January 19, 2006 ("LOAN DOCUMENTS").

1.2. To secure BORROWER's obligations under the LOAN DOCUMENTS, and BORROWER's obligations under this Agreement ("SECURITY AGREEMENT"), BORROWER has agreed to grant SECURED PARTY a security interest as provided below.

1.3. The parties desire to set forth more fully the terms of their agreement.

2. Grant of Security Interest.

To secure BORROWER's Obligations (as defined in Paragraph 3 below), BORROWER grants to SECURED PARTY a security interest in the COLLATERAL (as defined in Paragraph 4 below).

3. Obligations.

For purposes of this Agreement, "Obligations" means any and all debts, obligations, and liabilities of BORROWER to SECURED PARTY arising out of, or relating in any way to the LOAN DOCUMENTS, and any obligations of BORROWER to SECURED PARTY pursuant to this SECURITY AGREEMENT, whether existing or arising after the date of this SECURITY AGREEMENT; whether voluntary or involuntary; whether jointly owned with others; whether direct or indirect; or whether absolute or contingent; and whether or not from time to time increased, decreased, extinguished, created, or incurred.

4. COLLATERAL.

For purposes of this SECURITY AGREEMENT, "COLLATERAL" means:

All patents, patents pending or patent applications filed with the United States of America or any foreign government in which either Palco Labs, Inc. or Paul D. Levin has any right, claim, title or ownership interest of any kind or nature. A list

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of said patents, patents pending or patent applications is attached hereto as Exhibit "A" and incorporated herein as if fully set forth herein.

5. Representations and Warranties.

As a material inducement to SECURED PARTY under this SECURITY AGREEMENT, BORROWER represents and warrants that the following are and shall remain true and correct:

5.1. Title. BORROWER is the owner of all right, title, and interest in the COLLATERAL free and clear of all liens, encumbrances, and security interests, except the security interest created by this SECURITY AGREEMENT.

5.2. Truth. All information that BORROWER has provided to SECURED PARTY concerning the COLLATERAL is true and correct.

5.3. No Defenses. No defenses, offsets, claims, or counterclaims exist against BORROWER that may be asserted against SECURED PARTY in any proceeding to enforce SECURED PARTY's rights in the COLLATERAL.

5.4. No Conflict. The execution, delivery, and performance of this SECURITY AGREEMENT by BORROWER is not in violation of any applicable law or regulation or contractual obligation of BORROWER.

5.5. First Priority Lien. The liens granted to SECURED PARTY under this SECURITY AGREEMENT will constitute a first priority lien on the COLLATERAL on the filing of a UCC-1 Financing Statement and BORROWER's grant of such lien to SECURED PARTY does not constitute a fraudulent conveyance under any applicable law.

5.6. Good Standing. BORROWER is a corporation duly organized, validly existing, and in good standing under the laws of California.

5.7. Due Authorization. BORROWER has been duly authorized to execute and deliver this SECURITY AGREEMENT, which is a valid and binding obligation of BORROWER.

6. Covenants of BORROWER.

6.1. Protection of Security Interest. Contemporaneously with the execution of this SECURITY AGREEMENT, BORROWER shall properly execute and deliver to SECURED PARTY UCC-1 Financing Statements to enable SECURED PARTY to perfect SECURED PARTY's security interest in the COLLATERAL. BORROWER agrees also to execute, file, and record such other statements, notices, and Agreements, take such action and obtain such certificates and documents, in accordance with all applicable laws, statutes, and regulations as may

be necessary or advisable to perfect, evidence, and continue SECURED PARTY's security interest in the COLLATERAL.

6.2. Transactions Involving COLLATERAL. BORROWER shall not, without the prior written consent of SECURED PARTY, (a) sell, offer to sell, or otherwise transfer the COLLATERAL, or (b) pledge, mortgage, encumber, or otherwise permit the COLLATERAL to be subject to any lien, security interest, or charge, other than the security interest created by this SECURITY AGREEMENT.

6.3. Compliance with Laws. BORROWER shall comply with all laws, statutes, and regulations pertaining to the COLLATERAL.

6.4. Taxes, Assessments, and Liens. BORROWER shall pay when due all taxes, assessments, and liens with regard to the COLLATERAL. BORROWER may withhold any such payment or may elect to contest any lien if BORROWER is conducting appropriate proceedings in good faith to contest the obligation to pay and so long as SECURED PARTY's interest is not jeopardized.

7. Authorized Action by SECURED PARTY. BORROWER irrevocably appoints SECURED PARTY as BORROWER's attorney in fact to do any act that BORROWER is obligated to do pursuant to this SECURITY AGREEMENT to preserve or protect the COLLATERAL and to preserve, protect, or establish SECURED PARTY's lien on the COLLATERAL. BORROWER further irrevocably appoints SECURED PARTY to exercise such rights and powers as BORROWER might exercise with respect to the COLLATERAL following an Event of Default, as defined below. These powers shall include without limitation the right to:

(a) Collect by legal proceedings or otherwise, and endorse, receive, and receipt all dividends, interest, payments, proceeds, and other sums and property now or after the date of this SECURITY AGREEMENT payable on account of the COLLATERAL,

(b) Transfer the COLLATERAL to SECURED PARTY's own or SECURED PARTY's nominee's name, and

(c) Make any compromise or settlement and take any action SECURED PARTY deems advisable with respect to the COLLATERAL. BORROWER agrees to reimburse SECURED PARTY on demand for any costs and expenses, including without limitation attorney fees, which SECURED PARTY may incur while acting as BORROWER's attorney in fact under this SECURITY AGREEMENT, all of which costs and expenses are included in the Obligations secured by this SECURITY AGREEMENT. SECURED PARTY shall have no obligation to act pursuant to this paragraph and shall not be required to make any presentment, demand, or

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protest, or give any notice or take any action to preserve any rights against any other person in connection with the COLLATERAL.

8. Defaults and Remedies.

8.1. Event of Default. Any of the following events or conditions shall constitute an Event of Default by BORROWER under this SECURITY AGREEMENT:

(a) Default in payment of the Obligations in accordance with the terms of the LOAN DOCUMENTS or failure to perform any of BORROWERS' covenants under the LOAN DOCUMENTS;

(b) Default in the performance of any Obligations or breach of any SECURITY AGREEMENT, representation, or warranty contained in this SECURITY AGREEMENT;

(c) Any levy or proceeding against the COLLATERAL or BORROWER's interest in the COLLATERAL, except if BORROWER is conducting appropriate proceedings in good faith to contest the levy or proceeding; or

(d) The filing of a petition by or against BORROWER under the provisions of the Bankruptcy Code.

8.2. Remedies. On the occurrence of an Event of Default, SECURED PARTY:

(a) Shall have and may exercise all rights and remedies accorded to SECURED PARTY by the California Uniform Commercial Code or the laws of the United States of America;

(b) May declare all unperformed Obligations, in whole or in part, of BORROWER immediately due and payable without demand or notice; and

(c) May require BORROWER to take any and all action necessary to make the COLLATERAL available to SECURED PARTY.

8.3. Remedies Cumulative.

All of SECURED PARTY's rights and remedies, whether evidenced by this SECURITY AGREEMENT or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by SECURED PARTY to pursue any remedy shall not exclude pursuit of any other remedy.

9. Waivers.

9.1 Waiver of Hearing. BORROWER expressly waives any constitutional or other right to a judicial hearing prior to the time SECURED PARTY takes

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possession or disposes of the COLLATERAL on an Event of Default as provided in Paragraph 8 above.

9.2 Disposition of COLLATERAL. BORROWER hereby waives, to the extent permitted by applicable law, any and all of their rights under Article 9 of the Uniform Commercial Code, including but not limited to (a) notification of the time and place of any public sale of the COLLATERAL; (b) notification of the time after which any private sale or other intended disposition of the COLLATERAL is to be made; (c) any rights relating to the compulsory disposition of the COLLATERAL; (d) any right to redeem the COLLATERAL.

10. Non-Waiver.

SECURED PARTY shall not be deemed to have waived any rights under this SECURITY AGREEMENT unless such waiver is in writing and signed by SECURED PARTY. No delay or omission on the part of SECURED PARTY in exercising any right shall operate as a waiver of such right or any other right.

11. Release.

BORROWER and their respective former and present employees, partners, stockholders, directors, officers, successors, assignees, agents, insurers and attorneys (collectively the "RELEASING PARTIES"), hereby absolutely and forever discharge and release SECURED PARTY and SECURED PARTY'S former and present employees, partners, stockholders, directors, officers, parent, subsidiaries, affiliates, successors, assignees, agents, insurers and attorneys (collectively the "RELEASED PARTIES") from any and all liabilities, causes of action, claims, which do or may exist, whether known or unknown, suspected, or unsuspected arising out of or in any way relating to this SECURITY AGREEMENT, including but not limited to any claims based upon statute or common-law for any action or omission of the RELEASED PARTIES relating to the negotiation and execution of this SECURITY AGREEMENT (the "RELEASED MATTERS").

12. Additional Documentation; Cooperation.

Each party shall, on the request of the other, execute, acknowledge, and deliver to the other any instrument that may be required to accomplish the intent of this SECURITY AGREEMENT. Each party agrees to cooperate to effectuate the intent of this SECURITY AGREEMENT and shall take all appropriate action necessary or useful in doing so.

13. Miscellaneous.

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13.1. Successors and Assigns. Subject to the provisions otherwise contained in this SECURITY AGREEMENT, this SECURITY AGREEMENT shall inure to the benefit of and be binding on the successors and assigns of the respective parties.

13.2. Notices. Any notice under this SECURITY AGREEMENT shall be in writing, and any written notice or other document shall be deemed to have been duly given (a) on the date of personal service on the parties, (b) on the third business day after mailing, if the document is mailed by registered or certified mail, (c) one day after being sent by professional or overnight courier or messenger service guaranteeing one day delivery, with receipt confirmed by the courier, or (d) on the date of transmission if sent by telegram, telex, telecopy, or other means of electronic transmission resulting in written copies, with receipt confirmed. Any such notice shall be delivered or addressed to the parties at the addresses set forth below or at the most recent address specified by the addressee through written notice under this provision. Failure to conform to the requirement that mailings be done by registered or certified mail shall not defeat the effectiveness of notice actually received by the addressee.

13.3. Amendment. The provisions of this SECURITY AGREEMENT may be modified at any time by written Agreement of the parties. Any such Agreement made after the date of this SECURITY AGREEMENT shall be ineffective to modify this SECURITY AGREEMENT in any respect unless in writing and signed by BORROWER and SECURED PARTY.

13.4. Attorney Fees; Prejudgment Interest. If the services of an attorney are required by SECURED PARTY to secure the performance of this SECURITY AGREEMENT or otherwise on the breach or default of this SECURITY AGREEMENT, or if any judicial remedy or arbitration is necessary to enforce or interpret any provision of this SECURITY AGREEMENT or the rights and duties of any person in relation to this SECURITY AGREEMENT, SECURED PARTY shall be entitled to reasonable attorney fees, costs, and other expenses, in addition to any other relief to which SECURED PARTY may be entitled. Any award of damages following judicial remedy or arbitration as a result of the breach of this SECURITY AGREEMENT or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law.

13.5. Post-Judgment Attorney Fees. If the services of an attorney are required by any party to enforce a judgment rendered in connection with this SECURITY AGREEMENT, the judgment creditor shall be entitled to reasonable attorney fees, costs, and other expenses, and such fees, costs, and expenses shall be recoverable as a separate item. This provision shall be severable from all other provisions of

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this SECURITY AGREEMENT, shall survive any judgment, and shall not be deemed merged into the judgment.

13.6. Captions. All paragraph captions are for reference only and shall not be considered in construing this SECURITY AGREEMENT.

13.7. Severability. If any provision of this SECURITY AGREEMENT is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of the SECURITY AGREEMENT that can be given effect without the invalid provision shall continue in full force and effect and shall in no way be impaired or invalidated.

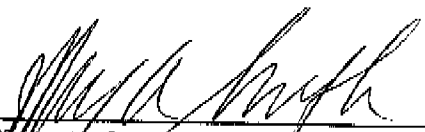
13.8. Governing Law. The rights and obligations of the parties and the interpretation and performance of this SECURITY AGREEMENT shall be governed by the law of California, excluding its conflict of laws rules.

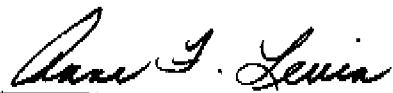
13.9. Venue. BORROWER agrees that any actions arising under this SECURITY AGREEMENT shall be heard and resolved in the Superior Court In and For Santa Clara County, California.


13.10. Entire SECURITY AGREEMENT. This document and its exhibits constitute the entire SECURITY AGREEMENT between the parties, all oral Agreements being merged in this SECURITY AGREEMENT, and supersede all prior representations. There are no representations, Agreements, arrangements, or understandings, oral or written, between or among the parties relating to the subject matter of this SECURITY AGREEMENT that are not fully expressed in this SECURITY AGREEMENT or its exhibits.

□


**BORROWER
PALCO LABS, INC.**

By: 
Jeffery A. Smith
Its: President and Chief Executive Officer

By: 
Anne F. Levin
Its: Secretary

By: 
Paul D. Levin, an individual

**SECURED PARTY
SAN JOSE NATIONAL BANK**

By: 
Roland Tucker
Its: Vice President