

**TRADEMARK ASSIGNMENT**

Electronic Version v1.1  
 Stylesheet Version v1.1

|                                  |  |                           |                                     |
|----------------------------------|--|---------------------------|-------------------------------------|
| <b>SUBMISSION TYPE:</b>          | NEW ASSIGNMENT   |                           |                                     |
| <b>NATURE OF CONVEYANCE:</b>     | SECURITY INTEREST  |                           |                                     |
| <b>CONVEYING PARTY DATA</b>      |  |                           |                                     |
| <b>Name</b>                      | <b>Formerly</b>  | <b>Execution Date</b>     | <b>Entity Type</b>                  |
| VS ACQUISITION CO LLC            |  | 06/08/2011                | LIMITED LIABILITY COMPANY: DELAWARE |
| <b>RECEIVING PARTY DATA</b>      |  |                           |                                     |
| <b>Name:</b>                     | VINDRAUGA CORPORATION  |                           |                                     |
| <b>Street Address:</b>           | 1565 Hotel Circle South, Suite 310   |                           |                                     |
| <b>City:</b>                     | San Diego  |                           |                                     |
| <b>State/Country:</b>            | CALIFORNIA   |                           |                                     |
| <b>Postal Code:</b>              | 92108  |                           |                                     |
| <b>Entity Type:</b>              | CORPORATION: CALIFORNIA  |                           |                                     |
| <b>PROPERTY NUMBERS Total: 7</b> |  |                           |                                     |
| <b>Property Type</b>             | <b>Number</b>  | <b>Word Mark</b>          |                                     |
| Registration Number:             | 2872960  | BLADERACK                 |                                     |
| Registration Number:             | 2536777  | RACKSAVER                 |                                     |
| Registration Number:             | 2937500  | NICE RACK                 |                                     |
| Registration Number:             | 3230538  | VERARI SYSTEMS            |                                     |
| Serial Number:                   | 76600467   | VERARI COMMAND CENTER     |                                     |
| Registration Number:             | 3361829  | BLADES WITHOUT BOUNDARIES |                                     |
| Serial Number:                   | 77951277   | FOREST                    |                                     |
| <b>CORRESPONDENCE DATA</b>       |  |                           |                                     |
| <b>Fax Number:</b>               | (619)615-0325  |                           |                                     |
|                                  | <i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i> |                           |                                     |
| <b>Phone:</b>                    | 619-685-3050   |                           |                                     |
| <b>Email:</b>                    | sweeney@scmv.com   |                           |                                     |
| <b>Correspondent Name:</b>       | Jason Sweeney, Esq.  |                           |                                     |
| <b>Address Line 1:</b>           | 750 B Street, Ste 2100   |                           |                                     |
| <b>Address Line 4:</b>           | San Diego, CALIFORNIA 92101  |                           |                                     |

**CH \$190.00 2872960**

**900193878**

**TRADEMARK**  
**REEL: 004556 FRAME: 0745**

|  |                 |
|--|-----------------|
| NAME OF SUBMITTER:   | Jason Sweeney   |
| Signature:   | /Jason Sweeney/ |
| Date:  | 06/08/2011      |
| <p><b>Total Attachments: 23</b></p> <p>source=Intellectual Property Security Agrmnt - Executed#page1.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page2.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page3.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page4.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page5.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page6.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page7.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page8.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page9.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page10.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page11.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page12.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page13.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page14.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page15.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page16.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page17.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page18.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page19.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page20.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page21.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page22.tif<br/>source=Intellectual Property Security Agrmnt - Executed#page23.tif</p> |                 |

## INTELLECTUAL PROPERTY SECURITY AGREEMENT

This INTELLECTUAL PROPERTY SECURITY AGREEMENT ("Agreement") is made as of June 7, 2011 by VS ACQUISITION CO LLC, a Delaware limited liability company ("Pledgor"), in favor of VINDRAUGA CORPORATION, a California corporation ("Lender"), with reference to the facts set forth below:

A. CIRRASCALE CORPORATION, a California corporation ("Borrower"), has obtained a loan ("Loan") from VINDRAUGA CORPORATION, a California corporation ("Lender"), and in connection therewith has executed and delivered a Promissory Note dated June 7, 2011 (the "Note") in favor of Lender. Except as otherwise provided in this Agreement, terms with initial capital letters herein shall have the same meanings as set forth in the Note and that certain Loan Agreement, dated June 7, 2011 (the "Loan Agreement").

B. As a condition to making the Loan, Lender requires that Pledgor assign certain property to Lender for purposes of securing all of the obligations to be performed by Borrower pursuant to the Loan Agreement. Pledgor hereby acknowledges and agrees that it will derive personal benefit by Lender making the loan to Borrower pursuant to the Loan Documents (defined below).

C. To induce Lender to make the Loans, Pledgor is willing to assign such property to Lender on the provisions and conditions hereinafter set forth.

NOW, THEREFORE to induce Lender to make the Loan and in consideration for the making of the Loan, Pledgor agrees as set forth below:

### **1. Definitions: Interpretation.**

(a) **Defined Terms.** As used in this Agreement, the following terms shall have the following meanings:

"Business" shall mean the current business operations of Pledgor and all future business operations of Pledgor.

"Collateral" has the meaning set forth in Section 2.

"Copyright Collateral" has the meaning set forth in Section 2.

"Copyrights" has the meaning set forth in Section 2.

"Event of Default" has the meaning ascribed thereto in Section 7.

"Existing Interest Holders" means the Persons holding the Existing Interests.

“Existing Interests” means the interests in the Collateral or portions thereof existing on the date hereof in favor of the Persons as listed on Schedule “B” pursuant to the agreements referred to therein.

“Lender” shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

“Lien” means any pledge, security interest, assignment, charge or encumbrance, lien (statutory or other), or other preferential arrangement (including any agreement to give any security interest).

“Loan Agreement” shall have the meaning ascribed to such term in the introductory paragraph of this Agreement and shall include all modifications, amendments, renewals, replacements and extensions thereof.

“Loan Documents” shall mean the Loan Agreement and all other documents executed by Borrower or any other party in connection with evidencing or securing the Loan.

“Material Adverse Effect” means a circumstance or event or any set of circumstances or events which has or could reasonably be expected to have any material adverse effect upon: (a) the condition, operations, assets, business or prospects of Pledgor; (b) Pledgor’s ability to pay and perform the Obligations; (c) the value or priority of Lender’s security interest in any Collateral; and/or (d) the practical realization of the benefits of Lender’s rights and remedies under this Agreement and the other Loan Documents.

“Obligations” shall have the meaning ascribed to such term in Section 3 of this Agreement.

“Patent Collateral” has the meaning set forth in Section 2.

“Patents” has the meaning set forth in Section 2.

“Person” means an individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or any other entity.

“Pledgor Documents” means this Agreement together with that certain Collateral Assignment (License Agreement) made by Pledgor in favor of Lender of even date herewith, that certain Security Agreement (License Agreement Proceeds) made by Pledgor in favor of Lender of even date herewith, and all other documents executed by Pledgor in connection with the Loan Documents.

“Pledgor” shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

“Proceeds” means whatever is receivable or received from or upon the sale, lease, license, sublicense, franchise, subfranchise, collection, use, exchange or other disposition, whether voluntary or involuntary, of any Collateral, including “proceeds” as defined

at UCC Section 9-102 (whether in the form of goods, money, instruments, chattel paper, documents, accounts, deposit accounts, investment property, insurance, general intangibles, rights to proceeds of written letters of credit or otherwise), all insurance proceeds and all proceeds of proceeds. Proceeds shall also include: (i) any and all accounts, chattel paper, instruments, license fees, franchise fees, management fees, distributorship fees, royalties, required or permissible product purchase payments, general intangibles, cash and other proceeds, payable to or for the account of Pledgor, from time to time in respect of any of the Collateral and/or Pledgor's Business; (ii) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to or for the account of Pledgor from time to time with respect to any of the Collateral; (iii) any and all claims and payments (in any form whatsoever) made or due and payable to Pledgor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Person acting under color of governmental authority; and (iv) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral or for or on account of any damage or injury to or conversion of any Collateral by any Person.

"PTO" means the United States Patent and Trademark Office and any successor thereto.

"Trade Secret Collateral" has the meaning set forth in Section 2.

"Trade Secrets" has the meaning set forth in Section 2.

"Trademark Collateral" has the meaning set forth in Section 2,

"Trademarks" has the meaning set forth in Section 2.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of California.

"United States" and "U.S." each mean the United States of America.

**(b) Terms Defined in UCC.** Where applicable and except as otherwise defined herein, terms used in this Agreement shall have the meanings assigned to them in the UCC.

**(c) Interpretation.** In this Agreement, except to the extent the context otherwise requires: (i) any reference to a Section or a Schedule is a reference to a section hereof, or a schedule hereto, respectively, and to a subsection or a clause is, unless otherwise stated, a reference to a subsection or a clause of the Section or subsection in which the reference appears; (ii) the words "hereof," "herein," "hereto," "hereunder" and the like mean and refer to this Agreement as a whole and not merely to the specific Section, subsection, paragraph or clause in which the respective word appears; (iii) the meaning of defined terms shall be equally applicable to both the singular and plural forms of the terms defined; (iv) the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation"; (v) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto; (vi) references to statutes or regulations are to be construed as including all statutory and regulatory provisions consolidating, amending or

replacing the statute or regulation referred to; and (vii) any captions and headings are for convenience of reference only and shall not affect the construction of this Agreement.

**2. Security Interest.** To secure the Obligations (as defined in Section 3 below), Pledgor does hereby irrevocably pledge, assign and grant to Lender a security interest in all of Pledgor's worldwide right, title and interest in and to all of the following property, now adopted, used, registered, unregistered, owned or hereafter acquired or created (collectively, the "Collateral"):

**(a) Trademark Collateral.** (i) All common law, state, federal and internationally registered trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, product names, slogans, trade styles, trade dress, color marks and designs, logos, domain names, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired in any way relating to the Business or otherwise, together with and including all licenses therefor held by Pledgor, and all registrations and recordings thereof, and all applications filed or to be filed in connection therewith, and all extensions and renewals thereof, including, without limitation any of the foregoing identified on Schedule "A" hereto (as the same may be amended, modified or supplemented from time to time), together with the goodwill of the Business symbolized by or associated with all of the foregoing (collectively, the "Trademarks"); (ii) all modifications, variations, derivative marks and names based upon the Trademarks used in Pledgor's Business now or in the future, and the goodwill of the Business associated with such names and marks or other Trademarks; (iii) all income, royalties and payments now or hereafter due and/or payable under and with respect to the Trademarks, including license fees and royalties under license and other agreements; (iv) all claims, causes of action, damages and recoveries for past, present and future infringements or unauthorized use of any of the Trademarks and all rights arising therefrom and pertaining thereto; (v) all rights corresponding to the Trademarks throughout the world; (vi) all general intangibles (as defined in the UCC) and all intangible intellectual property or other similar property of Pledgor of any kind or nature, whether now owned or hereafter acquired or used, associated with or arising out of any of the Trademarks (including without limitation all license, distributorship and/or franchise agreements and rights under the Existing Interests) not otherwise described herein and all of the goodwill of Pledgor's Business symbolized by the Trademarks or associated therewith; (vii) any jointly held rights in any of the foregoing, whether by contract or otherwise; and (viii) all Proceeds and products of any and all of the foregoing (all of the foregoing, collectively, the "Trademark Collateral").

**(b) Trade Secret Collateral.** (i) All trade secrets, confidential information, know-how and other intellectual property used in the Business of Pledgor now or in the future, including without limitation, the trade secrets listed in Schedule "A" attached hereto (as the same may be amended or supplemented from time to time) and all renewals, modifications, derivatives and improvements relating thereto (collectively, the "Trade Secrets"); (ii) all income, royalties and payments now or hereafter due and/or payable under and with respect to the Trade Secrets, including license fees and royalties under license and other agreements; (iii) all claims, causes of action, damages and recoveries for past, present and future infringements or unauthorized use of any of the Trade Secrets and all rights arising therefrom and pertaining thereto; (iv) all rights corresponding to the Trade Secrets throughout the world; (v) all general intangibles (as defined

in the UCC) and all intangible intellectual property or other similar property of Pledgor of any kind or nature, whether now owned or hereafter acquired or developed, associated with or arising out of the Trade Secrets (including without limitation all license, distributorship and/or franchise agreements and rights under the Existing Interests) and not otherwise described herein and all of the goodwill of Pledgor's Business symbolized by the Trade Secrets or associated therewith; (vi) any jointly held rights in any of the foregoing, whether by contract or otherwise; and (vii) all Proceeds and products of any and all of the foregoing (all of the foregoing, collectively, the "Trade Secret Collateral").

**(c) Copyright Collateral.** (i) All published and unpublished works of authorship that Pledgor owns or uses in its Business or will in the future adopt and so use (including all advertising and promotional materials, franchise agreements and franchise operation manuals) all original and derivative works of authorship and works protectable by copyright that are presently or in the future may be, owned, created, authored, acquired or used (pursuant to a license or otherwise) by Pledgor or by its employees, independent contractors, third parties or acquired by Pledgor, all of Pledgor's proprietary object code, source code, source data files and documentation in any way related to the Business and any modifications and derivative works related thereto, all copyright registrations and applications for copyright registration that previously have been or may hereafter be issued thereon or applied for in the U.S. or anywhere in the world, all registrations resulting from such copyright applications, and all renewals, modifications, extensions, derivative works and collective works thereof or related to any of the foregoing, throughout the world, together with all copyright licenses held by Pledgor, and all common law rights, copyrights, rights of authorship and moral rights related to any of the foregoing (collectively, the "Copyrights"); (ii) all income, royalties and payments now or hereafter due and/or payable under and with respect to the foregoing, including license fees and royalties under license and other agreements; (iii) all claims, causes of action, damages and recoveries for past, present and future infringements or unauthorized use of any of the Copyrights and all rights arising therefrom and pertaining thereto; (iv) all rights corresponding to the Copyrights throughout the world; (v) all general intangibles (as defined in the UCC) and all intangible intellectual property or other similar property of Pledgor of any kind or nature, whether now owned or hereafter acquired or developed, associated with or arising out of any of the Copyrights (including without limitation all license, distributorship and/or franchise agreements and rights under the Existing Interests) and not otherwise described herein and all of the goodwill of Pledgor's Business symbolized thereby or associated therewith; (vi) any jointly held rights in any of the foregoing, whether by contract or otherwise; and (vii) all Proceeds and products of any and all of the foregoing (all of the foregoing, collectively, the "Copyright Collateral").

**(d) Patent Collateral.** (i) All patents and patent applications (including, without limitation, the inventions, devices, specifications and improvements described and claims therein) filed in the U.S. or in any other country, owned, held or used by Pledgor in whole or in part, and all patent and invention disclosures related thereto, together with all reissuances, divisions, continuations, continuations-in-part, renewals, extensions, re-examinations, supplementary protection certificates, modifications, derivatives and improvements thereof and the inventions disclosed therein, and all new or separate patents that may be issued in connection with the foregoing, and all other inventions (whether patentable or unpatentable, whether or not reduced to practice or developed alone or jointly with others), and together with and including all

patent licenses held by Pledgor, and all other rights, including the right to make, use, license, sell, exploit and otherwise transfer the inventions disclosed therein (collectively the "Patents"); (ii) all income, royalties and payments now or hereafter due and/or payable under and with respect to the Patents, including license fees and royalties under license and other agreements; (iii) all claims, causes of action, damages and recoveries for past, present and future infringements thereof or unauthorized use of any of the Patents and all rights arising therefrom and pertaining thereto; (iv) all rights corresponding to the Patents throughout the world; (v) all general intangibles (as defined in the UCC) and all intangible intellectual property or other similar property of Pledgor of any kind or nature, whether now owned or hereafter acquired or developed, associated with or arising out of any of the Patents (including without limitation all license, distributorship and/or franchise agreements and rights under the Existing Interests) and not otherwise described herein and all of the goodwill of Pledgor's Business symbolized by the Patents or associated therewith; (vi) any jointly held rights in any of the foregoing, whether by contract or otherwise; and (vii) all products and Proceeds of any and all of the foregoing (all of the foregoing, collectively, the "Patent Collateral").

**3. Obligations Secured.** This Agreement and the security interest granted by this Agreement secure (in such order of priority as Lender may determine, in its sole discretion) the payment, performance, observance and satisfaction by Borrower or Pledgor, as applicable, of all of their respective obligations under all of the following and all modifications, amendments, renewals, replacements and extensions of each of them (collectively, the "Obligations"): (a) the Loan Documents; (b) all obligations of Pledgor under the Pledgor Documents; (c) all other indebtedness and obligations of Borrower or Pledgor to Lender whether currently existing or hereafter arising; (d) all amounts that Lender may advance or spend for the maintenance or preservation of the Collateral, and any other expenditures that Lender may make pursuant to the provisions of this Agreement or for the benefit of Pledgor; and (e) any of the foregoing that arises after the filing of a petition by or against Borrower or Pledgor pursuant to the United States Bankruptcy Code, even if the Obligations do not accrue because of the automatic stay under Bankruptcy Code Section 362 or otherwise.

**4. Further Assurances; Appointment of Lender As Attorney-In-Fact.** Pledgor, at its expense, shall execute and deliver, or cause to be executed and delivered, to Lender any and all documents and instruments, in form and substance reasonably satisfactory to Lender, and take any and all action, which Lender may reasonably request from time to time, in order to evidence, protect, maintain, perfect or continue the security interest of Lender in the Collateral, to effectuate or enforce the rights granted to Lender hereunder, or to otherwise carry out the purposes and intent of this Agreement. Without limiting the foregoing, Pledgor authorizes Lender to file financing statements and such other instruments as may be necessary or desirable to perfect security interests created hereby in all states, counties and other jurisdictions as Lender may elect, without Pledgor's signature if permitted by law, describing the Collateral. Pledgor hereby irrevocably appoints Lender as its true and lawful attorney-in-fact with full power of substitution in the place and stead of Pledgor and in the name of Pledgor, Lender or otherwise, from time to time in Lender's discretion to do the following: (a) to sign or endorse the name of Pledgor on all or any of such documents or instruments and perform all other acts that Lender reasonably deems necessary or advisable in order to perfect or continue perfection, maintain the priority or enforceability of or provide notice of Lender's security interest in the Collateral; (b) to execute any and all other applications, documents and instruments and to perform any and all



acts and things for and on behalf of Pledgor, which Lender may reasonably deem necessary or advisable to maintain, preserve and protect the Collateral and to accomplish the purposes of this Agreement, including (i) to defend, settle, adjust or institute any action, suit or proceeding with respect to the Collateral, (ii) to assert or retain any rights under any license, distribution or franchise agreement for or with respect to any of the Collateral and (iii) to execute any and all applications, documents, papers and instruments for Lender to use the Collateral, to grant or issue any exclusive or non-exclusive license with respect to any Collateral, and to assign, convey or otherwise transfer title in or dispose of the Collateral; and (c) to take any other actions with respect to the Collateral, consistent with the terms of this Agreement, as Lender deems reasonably necessary or in the best interest of Lender. The power of attorney set forth in this Section 4 is coupled with an interest and is irrevocable so long as this Agreement shall be in effect. Pledgor hereby ratifies all that Lender shall lawfully do or cause to be done by virtue hereof.

**5. Covenants.** Pledgor covenants and agrees that, to the best of its ability, as long as this Agreement shall be in effect:

(a) Pledgor shall (i) actively police and defend the Collateral, file and prosecute lawsuits, interference, opposition and cancellation proceedings, and take such other actions as necessary to protect the strength of and rights in the Collateral, (ii) protect, defend and maintain the validity and enforceability of the Collateral, (iii) use commercially reasonable efforts to ascertain or discover any infringements or violations of the Collateral and promptly advise Lender in writing of any infringements or violations detected, and (iv) not allow any Collateral to be abandoned, forfeited or dedicated to the public without the consent of Lender which shall not be unreasonably withheld; provided, however, Pledgor may abandon and/or forfeit any application, filing and/or registration in any foreign (non-United States) jurisdiction but only after Pledgor has reasonably determined that such abandonment and/or forfeiture will not result in a Material Adverse Effect. Lender shall have the right, but not the obligation, to take, at Pledgor's sole expense, in its own name or in Pledgor's name or in the names of the parties jointly any actions that Pledgor is required to take under this section or other provisions of this Agreement, but which Pledgor fails to take. Pledgor shall prosecute any infringement or violation of the Collateral to protect the Collateral as required by this Agreement, giving due consideration to value, importance, cost and opinion of counsel as to such action. If Pledgor decides not to prosecute an infringement or violation of the Collateral, Pledgor shall promptly notify Lender in writing explaining the facts and reasons why Pledgor has decided not to pursue such infringement or violation. If Lender reasonably determines that such infringement or violation must be prosecuted in order to protect Lender's interest in the Collateral, Lender shall so notify Pledgor in writing and Pledgor shall thereafter promptly prosecute such infringement or violation at Pledgor's expense;

(b) Pledgor shall promptly, upon its becoming aware thereof, notify Lender in writing of the existence or receipt of (i) any claim, dispute, lawsuit, arbitration, opposition, cancellation or interference proceeding, or other proceeding that in any way involves or relates to any of the Collateral, (ii) any adverse determination in or with respect to any of the pending or future applications for registration or registrations of any of the Collateral, and/or (iii) any adverse determination in or with respect to any lawsuits or other proceedings regarding the Collateral or regarding Pledgor's claim of ownership in or right to use any of the Collateral;

Pledgor shall promptly provide to Lender any information with respect thereto required from time to time by Lender;

(c) Pledgor shall renew, preserve and maintain all Patents, Trademarks, Copyrights, Trade Secrets and other Collateral in a timely manner, including without limitation filing all required affidavits and other documents and paying all necessary maintenance and other fees; provided, however, Pledgor may forego renewal, preservation and/or maintenance of any of the foregoing in any foreign (non-United States) jurisdiction but only after Pledgor has reasonably determined that such abandonment and/or forfeiture will not result in a Material Adverse Effect.

(d) Pledgor shall not sell, pledge, encumber, lien, hypothecate, assign, license, franchise, distribute or otherwise dispose of any rights in any of the Patents, Trademarks, Copyrights, Trade Secrets or other Collateral to any third party, in the U.S. or internationally, without the express, written consent of Lender, which consent shall not be unreasonably withheld by Lender;

(e) Lender shall have no obligation or responsibility to preserve, protect or defend the Collateral and Pledgor shall at its own expense protect, defend and maintain the same as required by this Agreement or specifically by Lender from time to time in its sole discretion;

(f) Pledgor shall prosecute diligently any Patent, Copyright, Trademark or other intellectual property application pending as of the date hereof or hereafter. Pledgor shall notify Lender in writing of any such applications filed and/or registrations received for any of the Patents, Trademarks, Copyrights or other Collateral, and the parties shall amend this Agreement, any assignments, UCC-1 Financing Statements, Memorandum of Security Agreement or other document to reflect such applications and registrations. Pledgor shall diligently file and prosecute applications for registration for all major variations and improvements to the Trademarks, Copyrights and Patents, including derivative and collective marks and works upon their adoption and use;

(g) Pledgor shall employ notices and proprietary markings in compliance with applicable legal requirements or as permitted to maximize the protection and enforcement of the Collateral;

(h) If Pledgor fails to comply with any of its covenants or agreements herein, Lender may do so in Pledgor's name or in Lender's name, at Pledgor's expense, and Pledgor shall reimburse Lender for all expenses, including reasonable attorney's fees and costs, incurred by Lender in protecting, defending and maintaining the Collateral;

(i) Pledgor shall not enter into any agreement (for example, a license agreement, distribution agreement, joint development agreement, franchise agreement or work for hire agreement) that would allow actual or potential Collateral to become all or partly owned by any other Person, or that is inconsistent with Pledgor's obligations under this Agreement, without Lender's prior written consent;

(j) Pledgor shall not take any action, or permit any action to be taken by others subject to its control, including licensees, joint venture partners, franchisees, vendors, or joint

developers, or fail to take any action, if doing so or not doing so would impair the title to, or validity or enforceability of the Collateral and/or of Lender's interest in the Collateral;

(k) Pledgor shall permit Lender, at any reasonable time and from time to time, upon one (1) business day prior written notice, to inspect Pledgor's premises and to examine Pledgor's books, records, operations, and use and protection of the Patents, Trademarks, Copyrights, Trade Secrets and other Collateral, and permit Lender to make and retain copies of any of the Collateral and of such books and records in order to protect its interest in the Collateral;

(l) Pledgor shall, promptly after executing this Agreement, to the extent not previously provided to Lender, provide to Lender a copy of the written agreements between Pledgor and the Existing Interest Holders;

(m) Pledgor shall pay when due all taxes and assessments against the Collateral and all claims and demands arising from Pledgor's ownership or use of the Collateral, and will not cause or permit any Lien to be imposed on or to exist against the Collateral;

(n) Pledgor shall make no change to its organization status or existence, state of incorporation, corporate identification number, or name, nor merge into or consolidate with any other Person, in each case without providing Lender at least thirty (30) days' prior written notice; and

(o) Pledgor shall, with respect to Collateral consisting of rights in or under agreements, contracts, accounts, instruments, leases, permits, licenses, franchises, and the like, now existing or hereafter acquired or entered into, including that certain License Agreement dated March 9, 2010 made by Pledgor and Borrower (collectively, "Third Party Agreements") do the following:

(i) except with respect to Third Party Agreements of inconsequential value, the breach or loss of which could have no material adverse effect on Pledgor, the Business or any of the remaining Collateral, Pledgor will, at its sole cost and expense (a) perform and satisfy every obligation and condition of the Third Party Agreements to be performed or satisfied by Pledgor; (b) give prompt notice to Lender of any notice of default given or received by Pledgor under any Third Party Agreements, together with a copy of any such notice of default; (c) enforce, short of termination, the performance and satisfaction of every obligation and condition of the Third Party Agreements to be performed or satisfied by the other parties to the Third Party Agreements; and (d) appear in and defend any action arising from or relating to the Third Party Agreements or the obligations of any party under any Third Party Agreement;

(ii) except with respect to Third Party Agreements of inconsequential value, the breach or loss of which could have no material adverse effect on Pledgor, the Business or any of the remaining Collateral, Pledgor will not, without Lender's prior written consent, take any action to (a) terminate or amend any Third Party Agreements; (b) waive or release the parties to any Third Party Agreements from any obligation or condition to be performed or satisfied by such parties; (c) assign, transfer, pledge or otherwise encumber any of its rights in any Third Party Agreements, absolutely or for security; or (d) revoke or countermand, or attempt or purport

to revoke or countermand, the irrevocable authorizations and instructions set forth in Subsection (iii) below. Any such purported action by Pledgor without Lender's prior written consent will be void and will constitute a default under this Agreement;

(iii) Pledgor hereby irrevocably authorizes and instructs every present and future party under every Third Party Agreement, upon demand by Lender, to pay and perform all of such party's obligations directly and only to Lender, to recognize and accept Lender as the holder of all of Pledgor's rights and benefits under the Third Party Agreement for all purposes, and to accept any payment or performance by Lender of Pledgor's obligations under the Third Party Agreement that Lender may elect to tender. No such party shall have any duty to investigate the validity or accuracy of any such demand by Lender. Each such party shall be relieved of any liability to Pledgor for payment or performance under a Third Party Agreement to the extent that such party has paid or performed to Lender, pursuant to demand of Lender, even if it is later determined that Lender's demand for payment or performance was invalid. Lender shall have the right at any time to enforce Pledgor's rights against every present and future party under every Third Party Agreement (including without limitation the account debtors and obligors); and

(iv) Lender is not obligated to perform any obligations of Pledgor under any Third Party Agreement unless Lender so elects, and Pledgor shall remain liable under every Third Party Agreement to the same extent as if this Agreement had not been executed. The exercise by Lender of any rights and remedies under this Agreement shall not release Pledgor from any of its duties or obligations under any Third Party Agreement.

**6. Representations and Warranties.** Pledgor represents, warrants and covenants, to the best of its knowledge, that now and in the future during the pendency of this Agreement and until the Obligations are satisfied in full as follows:

(a) Schedule "A" sets forth a true, correct and complete list of all of the existing Trademarks, Copyrights and Patents that are registered or for which any application for registration has been filed with the PTO or any corresponding or similar office of any other jurisdiction and that are owned and used by Pledgor, in whole or in part;

(b) Schedule "B" which sets forth the Existing Interests and Existing Interest Holders, sets forth a true, correct and complete list of all Existing Interest Holders to whom Pledgor has licensed, franchised or distributed any of the Collateral and all of the agreements giving rise to the Existing Interests;

(c) The Collateral and all portions thereof is subsisting, has not been adjudged invalid or unenforceable in whole or in part, is not currently being challenged in any way, and there are no pending or threatened claims, litigation, proceedings or other investigations regarding any of the Collateral. Except as otherwise disclosed to Lender in writing prior to the date of this Agreement, none of the Collateral has lapsed or expired or been abandoned or allowed to fall into the public domain;

(d) All maintenance, renewal and other fees required to be paid on account of any Collateral have been timely paid for maintaining such Collateral in force, and all affidavits

of use required to be filed with respect to any Trademarks have been timely filed to maintain such Trademarks in force;

(e) Pledgor owns the entire worldwide right, title and interest in and to the Collateral and each portion thereof free and clear of any Liens and rights of others, except for the rights granted by Pledgor pursuant to this Agreement and the Existing Interests of the Existing Interest Holders (provided Lender's security interest in the Collateral is senior in priority to the Existing Interests); and each such license, franchise or distribution agreement giving rise to the Existing Interests is in full force and effect, and other than parties to such license, franchise or distribution agreements, to Pledgor's knowledge, no other Person has any rights to or in any of the Collateral;

(f) Pledgor has the unqualified right, power and authority to pledge and grant to Lender a first priority security interest in all of the Collateral, and execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person except as already obtained; this Agreement has been fully authorized, executed and delivered, and constitutes a legal, valid and binding agreement of Pledgor enforceable in accordance with its terms; and the execution, delivery and performance by Pledgor of this Agreement do not violate any provision of law or the articles of incorporation or bylaws of Pledgor or result in a breach of or constitute a default under any contract, obligation, indenture or other instrument to which Pledgor is a party or by which Pledgor may be bound;

(g) Pledgor shall obtain, on an annual basis, opinions of counsel in the form of response to inquiry letters from legal council acceptable to Lender stating that, in connection with intellectual property matters, (i) such counsel has not been engaged by Pledgor in connection with any contingency matters representing possible liability to the Pledgor in excess of \$20,000; (ii) no intellectual property of another Person is integral to the conduct of Pledgor's Business or its use of the Collateral; provided, however, to the extent Pledgor uses a third party's intellectual property in the conduct of its Business, Pledgor has secured and obtained the full rights to use such intellectual property in its Business pursuant to an enforceable written agreement;

(h) Pledgor has continually used in commerce all Trademarks once use of such has commenced;

(i) Pledgor has in place a commercially reasonable system to protect its Trade Secrets. Pledgor has taken and will continue to take all commercially reasonable steps to protect the confidentiality of all Trade Secrets;

(j) Neither Pledgor nor any of the Existing Interest Holders are in breach or default of any of the Third Party Agreements, except for the Pledgor breach of the terms of the "Secured Convertible Notes" (as defined in the Loan Agreement) previously disclosed to the Lender, and no event has occurred which with notice or lapse of time would constitute a breach or default, or permit the termination or modification of any of the Third Party Agreements;

(k) Pledgor has not transferred, pledged or otherwise encumbered any of its rights or interests in or under any of the Third Party Agreements, except that the Collateral is

also pledged as security under the terms of the existing Secured Convertible Notes previously disclosed to the Lender;

(l) Pledgor, the Collateral, and products sold or services rendered by Pledgor, and/or any processes used by Pledgor in its Business do not infringe or violate any third party's intellectual property rights, and no claim has been made that the use of any of the Collateral or any products or services incorporating any of the Collateral constitutes an infringement or violation of any third party's intellectual property rights. Pledgor has not engaged in any conduct that would constitute unfair competition, unfair trade practices, defamation or otherwise would conflict with another Person's intellectual property rights or other rights. To Pledgor's knowledge, no third parties are infringing upon or violating any of the rights in any of the Collateral;

(m) Schedule "A" sets forth a true, accurate and complete list of all material technologies and proprietary rights of Pledgor that are necessary to operate Pledgor's Business;

(n) Pledgor has not agreed with any other Person not to sue or otherwise enforce any legal or equitable rights regarding the Collateral; and

(o) Pledgor shall undertake all reasonable measures to cause its employees, agents and independent contractors to assign to Pledgor all rights in and to any Collateral in which Pledgor has or may subsequently acquire any right or interest.

7. **Event of Default.** It shall be an "Event of Default" hereunder if Pledgor shall fail to perform or comply with any of the provisions of this Agreement, or if any representation or warranty made herein shall be false or misleading in any material respect, or if an "Event of Default" shall exist under and as defined in any one or more of the Loan Documents. Pledgor expressly acknowledges and agrees that this Section 7 is intended to and does hereby cross-default this Agreement with the Borrower's obligations under the Loan Documents, such that the occurrence of any Event of Default under any one or more of the Loan Documents shall constitute an immediate Event of Default hereunder. Lender shall provide Pledgor a written notice of an Event of Default. Notwithstanding anything to the contrary in this paragraph, it shall not be an "Event of Default" if Pledgor shall rectify the default to the satisfaction of Lender within three (3) business days after receipt of such notice for an Event of Default that involves a monetary Event of Default and within five (5) business days after receipt of such notice for any other (non-monetary) Event of Default; provided, however, the foregoing shall not be construed to create an additional cure period for an Event of Default in addition to the cure rights set forth in the other Loan Documents.

8. **Remedies.** From and after the occurrence of an Event of Default, Lender shall have all rights and remedies available to it under this Agreement, under the Loan Documents and under applicable law (which rights and remedies are cumulative). Pledgor agrees that such rights and remedies include the right of Lender as a secured party to sell or otherwise dispose of the Collateral after default, pursuant to the UCC. Pledgor agrees that, in addition to its other rights, Lender shall at all times have such worldwide, royalty-free, exclusive, transferable, licenses (including the right to sublicense) for any Collateral that is reasonably necessary to permit the exercise of any of Lender's rights or remedies hereunder, including upon or after the occurrence

of an Event of Default with respect to any assets of Pledgor in which Lender has a security interest, including Lender's rights to sell inventory, tooling, equipment or packaging which is owned or acquired by Pledgor (or its successor, assignee or trustee in bankruptcy). In addition to and without limiting any of the foregoing, upon the occurrence of an Event of Default, Lender shall have the right, but not the obligation, to bring suit or to take such other action as Lender deems necessary or advisable, in the name of Pledgor or Lender, to enforce its rights under this Agreement or to enforce or protect any of the Collateral, in which event Pledgor shall, at the request of Lender, do any and all lawful acts and execute any and all documents required by Lender in aid of such enforcement. Pledgor acknowledges and agrees that Lender may execute and acknowledge any and all such documents pursuant to the power of attorney granted to Lender hereunder but shall have no fiduciary duties to Pledgor thereunder to the maximum extent permitted by applicable law.

**9. Indemnity.** Pledgor agrees to defend, indemnify, reimburse and hold harmless Lender and its officers, employees and agents against any loss, fine, claim, expense, damage or other liability sustained by any of them, to the extent it arises out of or relates to: (a) this Agreement; (b) any false or untrue representation or warranty by Pledgor herein; (c) any breach by Pledgor of its obligations hereunder or under any of the other Pledgor Documents; or (d) any third-party claims with respect to the Collateral.

**10. Suretyship Waivers.**

**(a) Rights of Lender.** Pledgor authorizes Lender at any time in its sole discretion, to take any of the following actions on such terms and conditions as Lender may elect, without giving notice to Pledgor or any other person or obtaining the consent of Pledgor or any other person and without affecting Pledgor's obligations hereunder:

(i) Alter any of the terms and (or) documentation of any of the Obligations, including renewing, amending, releasing, waiving, compromising, extending or accelerating, or otherwise changing the time for payment of, or increasing or decreasing the Obligations or the rate of interest on the Obligations;

(ii) accept new or additional documents, instruments or agreements relative to the Obligations;

(iii) consent to the change, restructure or termination of the individual, partnership, limited liability company, corporate or other organizational structure or existence of Borrower, Pledgor or any other person or any affiliate of Borrower, Pledgor or any other person, and correspondingly restructure the Obligations;

(iv) accept partial payments on the Obligations;

(v) take and hold any security or additional guaranties for the Obligations and amend, alter, exchange, substitute, transfer, enforce, perfect or fail to perfect, waive subordinate, terminate, compromise, or release any such security or guaranties;

(vi) apply any security, and direct the order and manner of sale thereof as Lender in its sole discretion may determine;

(vii) settle, release on terms satisfactory to Lender or by operation of law or otherwise, compound, compromise, collect or otherwise liquidate the Obligations and (or) the security or any guaranty therefor in any manner;

(viii) release Borrower or any other person of its liability for all or any of the Obligations;

(ix) participate in any settlement offered by Borrower, any guarantor or any other person, whether in liquidation, reorganization, receivership, bankruptcy, assignment for the benefit of creditors or other debtor-relief proceeding or otherwise;

(x) exercise or not exercise rights available to it in any liquidation, reorganization receivership, bankruptcy, assignment for benefit of creditors or other debtor-relief proceeding, including voting or not voting to accept a plan and filing or not filing a proof of claim;

(xi) release, substitute or add any one or more guarantors or endorsers;  
and

(xii) assign its rights hereunder in whole or in part.

**(b) Waiver of Defenses.** Pledgor waives and agrees not to assert or take advantage of:

(i) any right to require Lender to proceed against Borrower, any other guarantor or any other person or any security now or hereafter held by Lender or to pursue any other remedy whatsoever, including any such right or any other right set forth in or arising out of Sections 2845, 2848, 2849, 2850, 2899 or 3433 of the California Civil Code;

(ii) any defense based upon any legal disability of Borrower or any Pledgor or other person, or any discharge or limitation of the liability of Borrower or any Pledgor or other person to Lender (except on satisfaction of all of Borrower's obligations with respect to the Loan Documents), or any restraint or stay applicable to actions against Borrower or any Pledgor or other person, whether such disability, discharge, limitation, restraint or stay is consensual, or arising by order of a court or other governmental authority, or arising by operation of law or any liquidation, reorganization, insolvency, receivership, bankruptcy, assignment for the benefit of creditors or other debtor-relief proceeding, whether or not Lender consents to such treatment in such proceeding, or from any other cause, including any defense to the payment of interest, attorneys' fees and costs, and other charges that otherwise would accrue or become payable in respect to the Obligations after the commencement of any such proceeding;

(iii) setoff, counterclaim, presentment, demand, protest, notice of protest, notice of nonpayment, or other notice of any kind;

(iv) any defense based upon the modification, renewal, extension or other alteration of any of the Obligations, or of the documents executed in connection therewith;



(v) any defense based upon the negligence of Lender, including the failure to record an interest under a deed of trust, the failure to perfect any security interest, or the failure to file a claim in any bankruptcy of Borrower or any guarantor or other person;

(vi) any defense based upon a statute of limitations to the fullest extent permitted by law and any defense based upon Lender's delay in enforcing this Agreement or any other agreement;

(vii) all rights of subrogation, reimbursement, indemnity and contribution, all rights to enforce any remedy that Lender may have against Borrower or other person, and all rights to participate in any security held by Lender for the Obligations, including any such right or any other right set forth in Sections 2848 or 2849 of the California Civil Code, until the Obligations have been paid and performed in full, and any defense based upon the impairment of any subrogation, reimbursement, indemnity or contribution rights that Pledgor might have, including any defense or right based upon the acceptance by Lender or an affiliate of Lender of a deed in lieu of foreclosure without extinguishing the Obligations, even if such acceptance destroys, alters or otherwise impairs subrogation rights of Pledgor, the right of Pledgor to proceed against Borrower or any other person for reimbursement, or both;

(viii) any defense based upon or arising out of any defense which Borrower or any other guarantor or other person may have to the performance of any part of the Obligations;

(ix) any defense to recovery by Lender of a deficiency after non-judicial foreclosure sale of real or personal property; any defense based upon unavailability to Lender of a deficiency judgment after nonjudicial sale of real or personal property or based upon or arising out of Divisions 8 or 9 or other applicable divisions of the California Uniform Commercial Code;

(x) any defense based upon the death, incapacity, lack of authority or termination of existence of, or purported revocation or rescission of this Agreement or any of the Obligations by, any person, or the substitution of any party hereto or thereto;

(xi) any defense based upon or related to Pledgor's lack of knowledge as to Borrower's financial condition;

(xii) any right to revoke this Agreement or obligations hereunder and all rights and benefits of Section 2815 of the California Civil Code;

(xiii) any right to designate the application of any sums or property received by Lender, and in connection therewith, Pledgor agrees that any amounts or sums received by Lender from any source on account of the Obligations may be applied by Lender toward payment thereof in such order of application as Lender may from time to time elect, notwithstanding any contrary designation by Borrower, Pledgor or any other person;

(xiv) any defense based upon any action taken or omitted by Lender in any bankruptcy or other insolvency proceeding involving Borrower or any other person, including any election to have Lender's claim allowed as secured, partially secured or unsecured,

any extension of credit by Lender to Borrower in any such proceeding, and the taking and holding by Lender of any security for any such extension of credit; and

(xv) any right or defense that is or may become available to Pledgor by reason of California Civil Code Sections 2787 to and including 2855, 2899 and 3433.

**(c) Independent Obligations.** Pledgor shall pay (in immediately available funds) to and perform for the benefit of Lender, when due, on demand of Lender, all Obligations. Pledgor's obligations under this document are independent of those of Borrower and those of any other guarantor or other person. Lender may bring a separate action against Pledgor without proceeding against Borrower or any other guarantor or other person or any security held by Lender and without pursuing any other remedy.

**(d) Borrower's Financial Condition.** Pledgor acknowledges that it is relying upon its own knowledge of and is fully informed with respect to Borrower's financial condition. Pledgor assumes full responsibility for keeping fully informed of Borrower's financial condition and all other circumstances affecting Borrower's ability to perform the Obligations, and agrees that Lender will have no duty to report to Pledgor any information which Lender receives about Borrower's financial condition or any circumstances bearing on Borrower's ability to perform all or any portion of the Obligations, regardless of whether Lender has reason to believe that any such facts materially increase the risk beyond that which Pledgor intends to assume or has reason to believe that such facts are unknown to Pledgor or has a reasonable opportunity to communicate such facts to Pledgor.

**(e) Impairment of Subrogation Rights.** Upon an Event of Default, Lender may elect to foreclose nonjudicially or judicially against any real or personal property security it holds for any of the Obligations, exercise any other remedy against Borrower or any security or any guarantor or other person, and(or) take a deed or assignment of security in lieu of foreclosure. No such action by Lender will release or limit the liability of Pledgor, even if the effect of that action is to deprive Pledgor of the right or ability to collect reimbursement from or assert subrogation, indemnity or contribution rights against Borrower or any other guarantor or other person for any sums paid to Lender, or to obtain reimbursement by means of any security held by Lender for the Obligations.

**(f) Bankruptcy.**

(i) The obligations of Pledgor hereunder shall not be altered, limited, or affected by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation, or arrangement of Borrower, or by any defense Borrower may have by reason of any order, decree, or decision of any court or administrative body resulting from any such proceeding. In furtherance of the foregoing, Pledgor agrees that if acceleration of the time for payment of any amount payable by Borrower under the Note or in respect of the other Obligations is stayed for any reason, all such amounts otherwise subject to acceleration shall nonetheless be payable by Pledgor hereunder forthwith upon demand.

(ii) Pledgor shall file in any bankruptcy or other proceeding in which the filing of claims is required or permitted by law all claims that Pledgor may have against

Borrower relating to any indebtedness of Borrower to Pledgor, and will assign to Lender all rights of Pledgor thereunder. If Pledgor does not file any such claim at least ten (10) days prior to any deadline thereof, then to the extent allowed by law, Lender, as attorney-in-fact for Pledgor, is hereby authorized to do so in the name of Pledgor or, in Lender's discretion, to assign the claim to a nominee, and to cause such proof of claim to be filed in the name of Lender's nominee. The foregoing power of attorney is coupled with an interest and is irrevocable until after the indefeasible payment and performance in full of all of the Obligations. In all such cases, whether in administration, bankruptcy, or otherwise, the person or persons authorized to pay such claim shall pay to Lender the amount payable on such claim. Pledgor hereby assigns to Lender all of Pledgor's rights to any such payments or distributions to which Pledgor would otherwise be entitled; provided, however, that Pledgor's obligations hereunder shall not be satisfied except to the extent that Lender receives cash by reason of any such payment or distribution. If Lender receives anything hereunder other than cash, the same shall be held as collateral for amounts due hereunder.

**(g) Continuance of Security Instruments.** The liability of Pledgor hereunder shall continue in effect notwithstanding any payment or performance of the Obligations by Borrower, such that, if any such payment or performance is avoided or recovered from Lender or Lender is otherwise required to restore or return any such payment or performance in connection with the bankruptcy, insolvency or reorganization of Borrower or otherwise, Pledgor shall remain liable hereunder as though such payment or performance had not occurred. The determination as to whether any such payment or performance must be restored or returned may be made by Lender in its sole discretion; provided, however, that if Lender chooses in its discretion to contest any such matter, Pledgor agrees to indemnify, defend and hold harmless Lender from all costs and expenses (including, without limitation, legal fees and disbursements) of such litigation.

**(h) Subordination.**

(i) All existing and future obligations of Borrower to Pledgor with respect to the Collateral are hereby subordinated to the full and indefeasible payment and performance of the Obligations.

(ii) Upon any default under any of the Obligations or hereunder, all obligations of Borrower to Pledgor with respect to the Collateral shall be collected, enforced and received by Pledgor as trustee for Lender, and all amounts received shall be paid over to Lender, for application to the Obligations. In the event of a bankruptcy case against Borrower, Lender shall, at its option, be entitled to file a proof of claim on behalf of Pledgor under the Bankruptcy Rule 3001. Lender shall be entitled to all voting rights and distributions on account of such claim until full and complete performance of the Obligations.

**11. Miscellaneous.**

**(a) Termination.** The security interest in the Collateral granted hereunder shall remain in full force and effect until the Obligations are satisfied in full and the Loan Documents and any commitment to extend any financial accommodation thereunder have been terminated. At such time, Lender shall, if requested by Pledgor, at Pledgor's expense, execute and deliver to

Pledgor, or to a third party upon Pledgor's instructions, for filing with the appropriate government entity in the U.S. or elsewhere and in each office in which any financing statement pertaining to the security interest granted hereby may have been filed: (i) documentation in accordance with the rules and regulations of such office, (ii) termination statements under the UCC, and (iii) any other documentation reasonably requested by Pledgor, all as may be necessary to release Lender's interest in the Collateral.

**(b) Governing Law; Venue; Jury Waiver.** If there is a lawsuit or other proceeding, Pledgor agrees upon Lender's request to submit to the jurisdiction of the courts of San Diego County, California. To the extent permitted under applicable laws, Lender and Pledgor hereby waive the right to any jury trial in any action, proceeding or counterclaim brought by Lender or Pledgor against the other, and each waive any right to object to or contest the venue or jurisdiction selected by Lender. This Agreement will be governed by, construed and enforced in accordance with federal law and the laws of the State of California.

**(c) Entire Agreement.** This Agreement constitutes the entire agreement between the parties regarding the subject matter hereof, and supersedes all prior or contemporaneous understandings or agreements, whether oral or written regarding the subject matter hereof. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**(d) Notice.** All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be given personally, sent by facsimile transmission, electronic mail, prepaid air courier or certified, registered or express mail, postage prepaid. Any such notice shall be deemed to have been given or made for all purposes: (a) in any event, upon actual receipt by the recipient; (b) upon confirmation receipt (or oral confirmation) that the communication was successfully sent to the recipient if sent by facsimile or other electronic communication; (c) one day after being sent, when sent by professional overnight courier service; or (d) three (3) business days after posting when sent by registered or certified mail. All notices, communications and/or payments should be addressed to the party for whom intended, as follows:

To Lender: VINDRAUGA CORPORATION  
1565 Hotel Circle South, Suite 310  
San Diego, California 92108  
Attn: James R. Wade  
Facsimile: (619) 220-8112

To Pledgor: VS ACQUISITION CO LLC  
12140 Community Road  
Poway, CA 92064  
Attention: Managing Member  
Facsimile: (858) 874-3838

(e) **Costs and Expenses.** Pledgor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the preparation, execution, enforcement, modification and collection of this Agreement. Lender may hire or pay someone else to help collect the Obligations and to enforce this Agreement, and Pledgor shall pay the costs and expenses of such collection and enforcement. Costs and expenses include Lender's attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Pledgor also shall pay all court costs and such additional fees as may be directed by the court.

(f) **Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or enforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

(g) **Successors and Assigns.** All covenants and agreements contained by or on behalf of Pledgor shall bind Pledgor's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Pledgor shall not, however, have the right to assign Pledgor's rights under this Agreement or any interest therein, without the prior written consent of Lender.

(h) **Survival.** Pledgor understands and agrees that in making the Loan and other financial accommodations set forth in the Loan Documents, Lender is relying on all representations, warranties, and covenants made by Pledgor in this Agreement or in any certificate or other instrument delivered by Pledgor to Lender under this Agreement. Pledgor further agrees that regardless of any investigation made by Lender, all such representations, warranties and covenants will survive the making of the Loan and other financial accommodations set forth in the Loan Documents, shall be continuing in nature, and shall remain in full force and effect until such time as all Obligations shall be paid and satisfied in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

(i) **Time is of the Essence.** Time is of the essence in the performance of this Agreement.

(j) **Waiver.** Lender shall not be deemed to have waived any right under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender nor any course of dealing between Lender and Pledgor shall constitute a waiver of any of Lender's rights or Pledgor's obligations as

to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent in subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

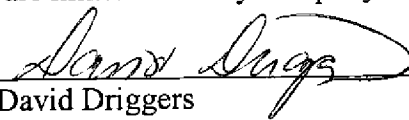
**(k) Counterparts.** This Agreement maybe executed in any number of counterparts and by different parties hereto and separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

\* \* \* \* \*

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the date first written above.

**PLEDGOR:**

VS ACQUISITION CO LLC,  
a Delaware limited liability company

By:   
Name: David Driggers  
Title: Managing Member

**SCHEDULE "A"**

**Registered Trademarks and Trademark Applications**

See attached.



**SCHEDULE "B"**

**List of Existing Interest Holders, Existing Interests and Third Party Agreements**

See attached.

Primary Interest Holders consist of the holders of Secured Convertible Notes of VS Acquisition Co LLC who have a security interest in the Intellectual Property and Licensors of Cirrascale Corporation.

Cirrascale Corporation has License Agreements with the following Licensors:

Celestica Corporation  
Verari do Brasil Comercio de Equipamentos Ltda.  
Tellhow Gitong Technology, Ltd.