

05-07-2002

DE D

1124102 TRADEMARKS ONLY



OMR No. 0651-0011 (exp. 4/94)

RE

102082329

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

1. Name of conveying party(ies): ZHONG TECHNOLOGIES, INC. (a Canadian corporation) #200-1565 Carling Avenue, Ottawa Ontario, K1Z8R1, Canada

2. Name and address of receiving party(ies) Name: THE CIT GROUP/BUSINESS CREDIT, INC. Internal Address:

3. Nature of conveyance: 124-02 [Assignment, Security Agreement, Change of Name, Other] Execution Date: December 7, 2001

Street Address: 300 South Grand Ave. 3rd Floor City: Los Angeles State: CA ZIP: 90071

4. Application number(s) or Trademark number(s): Arcadacs (Serial No. 75/898,194)

Additional name(s) & address(es) attached? [Yes/No] Trademark No.(s) 01-24-2002

5. Name and address of party to whom correspondence concerning document should be mailed: Mr. Michael Wright, Paralegal Name: Buchalter, Nemer, Fields & Younger

6. Total number of applications and patents involved: nine 7. Total fee (37 CFR 3.41) \$ 24 [Enclosed, Authorized to be charged to deposit account] 8. Deposit account number: 20-0052

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. Michael Wright Name of Person Signing Signature January 22, 2002 Date

Total number of pages including cover sheet, attachments, and document: 12 02/07/2002 DBYRNE 0000006 200052 75898194 01 FC:481 40.00 CH 02 FC:482 200.00 CH

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

TRADEMARK REEL: 002500 FRAME: 0111

**SCHEDULE B TO GRANT OF SECURITY INTEREST IN PATENTS,
COPYRIGHTS TRADEMARKS AND LICENSES**

U.S. TRADEMARKS

<u>Mark</u>	<u>Registration No.</u>	<u>Registration Date</u>
ARCADACS	75/898,194	01/18/2000
BAN	76/063,058	06/02/2000
MALC	76/175,453	11/30/2000
SECTOR	76/175,461	11/30/2000
SLMS	76/110,937	08/16/2000
Z DESIGN AND ZHONE	76/175,463	11/30/2000
ZEDGE	76/015,905	03/30/2000
ZPHONE	76/175,462	11/30/2000
ZMS	76/174,513	11/30/2000

**GRANT OF SECURITY INTEREST IN
PATENTS, TRADEMARKS, COPYRIGHTS AND LICENSES**

THIS GRANT OF SECURITY INTEREST IN PATENTS, TRADEMARKS, COPYRIGHTS AND LICENSES (herein the "Agreement") made as of this 7th day of December, 2001, by ZHONE TECHNOLOGIES, INC., a corporation organized under the laws of the Province of Ontario, Canada with a principal place of business at 1500-1565 Carling Avenue, Ottawa, Ontario K1Z 4R1, Canada (herein "ZT Canada"), and The CIT Group/Business Credit, Inc., a New York corporation, with offices at 300 S. Grand Avenue, 3rd Floor, Los Angeles, CA 90071 as agent (in such capacity the "Agent") for itself and the lenders (the "Lenders") from time to time party to the Financing Agreement (as defined below).

W I T N E S S E T H:

WHEREAS, Zhone Technologies, Inc., a Delaware corporation ("ZTI"), Premisys Communications, Inc., a Delaware corporation ("PCI" and together with ZTI the "Companies"), the Lenders and Agent are parties to a certain Financing Agreement of even date herewith, as the same may be amended from time to time (herein the "Financing Agreement"), which Financing Agreement provides for Lenders to make certain loans, advances and extensions of credit, all to or for the account of the Companies;

WHEREAS, ZT Canada has executed a Guaranty, of even date herewith, in favor of Agent, for the ratable benefit of Lenders guaranteeing the Companies' obligations under the Financing Agreement (the "Guaranty"); and

WHEREAS, the Guaranty will be secured by ZT Canada's patents, patent applications and/or registrations, trademark, trademark applications and/or registrations, tradenames, goodwill, copyright, copyright applications and/or registrations, and licenses; and

NOW THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, ZT Canada agrees as follows:

1. Definitions. Capitalized terms used herein and defined in the Financing Agreement shall have the meanings set forth therein unless otherwise specifically defined herein.
2. Grant of Security Interest. To secure the payment of the "Guaranteed Obligations" (as defined in the Guaranty), ZT Canada hereby grants to Agent, for the ratable benefit of Lenders, a security interest, effective immediately, in all of ZT Canada's right, title and interest in and to all of the following described property, whether now owned or hereafter acquired (collectively herein the "Intellectual Property Collateral"):
 - (i) Patents and patent applications and/or registrations together with the inventions and improvements described and claimed therein including, without limitation,

the United States registered patents and applications, if any, listed on Schedule A, attached hereto and made a part hereof, and any and all reissues and renewals thereof and all income, royalties, damages and payments now and hereafter due and/or payable in connection therewith including, without limitation, damages and payments for past or future infringements thereof (all of the foregoing are sometimes hereinafter individually and/or collectively referred to as the "Patent Collateral");

- (ii) Trademarks, trademark registrations and/or applications and tradenames including, without limitation, the United States registered trademarks and applications, if any, listed on Schedule B attached hereto and made a part hereof, and any and all reissues and/or renewals thereof, and all income, royalties, damages and payments now and hereafter due and/or payable in connection therewith including, without limitation, damages and payments for past or future infringements thereof (all of the foregoing are sometimes hereinafter individually and/or collectively referred to as the "Trademark Collateral");
- (iii) Copyrights, copyright registrations and/or applications including, without limitation, the United States registered copyrights and applications, if any, listed on Schedule C attached hereto and made a part hereof, and any and all reissues and/or renewals thereof, and all income, royalties, damages and payments now and hereafter due and/or payable in connection therewith including, without limitation, damages and payments for past or future infringements thereof (all of the foregoing are sometimes hereinafter individually and/or collectively referred to as the "Copyright Collateral");
- (iv) Any license agreement in which ZT Canada is or becomes licensed to use any patents, copyrights and/or trademarks owned by a third party (all of the foregoing are sometimes referred to herein individually and/or collectively as the "License Collateral");
- (v) The goodwill of ZT Canada's business connected with and symbolized by its Intellectual Property Collateral; and
- (vi) All cash and non-cash proceeds of the foregoing.

Anything in this Agreement to the contrary notwithstanding, the Intellectual Property Collateral shall not include, and no security interest, lien or pledge granted hereunder shall extend or attach to, any of ZT Canada's rights (other than rights to payment) under any license agreements existing as of the date hereof that prohibit the grant of a security interest or lien therein or pledge to the extent, and only to the extent, that the terms prohibiting the grant of such security interest or lien or pledge have not been waived or consented to in writing by the licensor, lessor or other necessary person or entity under such agreement.

3. Agent's Rights. Upon the occurrence of any Event of Default hereunder, Agent shall have all the rights and remedies of a secured party under the UCC and any other applicable state or federal laws. Agent will give ZT Canada reasonable notice of the time

and place of any public sale of the Intellectual Property Collateral or the time after which any private sale of the Intellectual Property Collateral or any other intended disposition thereof is to be made. Unless otherwise provided by law, the requirement of reasonable notice shall be met by providing such notice as may be required pursuant to the Guaranty. A formal irrevocable power of attorney (in the form annexed hereto) is being executed and delivered by ZT Canada to Agent concurrently with this Agreement to facilitate the exercise of such rights.

4. Fees. ZT Canada will pay all filing fees with respect to the recordation, filing and perfection of the security interest created hereby which Agent may deem necessary or advisable in order to perfect and maintain the perfection of its security interest in the Intellectual Property Collateral.
5. Representations and Warranties. ZT Canada represents and warrants: that it lawfully possesses and owns its Intellectual Property Collateral and that except for the security interest granted hereby and Permitted Encumbrances (as defined in the Financing Agreement), its Intellectual Property Collateral will be kept free from all liens, security interests, claims and encumbrances whatsoever; that ZT Canada has not made or given any prior assignment, transfer or security interest in its Intellectual Property Collateral or any of the proceeds thereof; that ZT Canada Intellectual Property Collateral is and will continue to be, in all respects, in full force and effect; and that there are no known infringements of ZT Canada Intellectual Property Collateral.
6. Defense of Claims. ZT Canada will, to the extent reasonably requested by Agent, defend at its own cost and expense any action, claim or proceeding affecting the Intellectual Property Collateral or the interest of Agent therein. ZT Canada agrees to reimburse Agent for all reasonable costs and expenses incurred by Agent in defending any such action, claim or proceeding.
7. Rights Cumulative. This Agreement shall be in addition to the Financing Agreement and shall not be deemed to affect, modify or limit the Financing Agreement or any rights that Agent and the Lenders have under the Financing Agreement. ZT Canada agrees to execute and deliver to Agent (at ZT Canada's expense) any further documentation or papers Agent reasonably deems necessary to carry out the intent or purpose of this Agreement including, but not limited to, financing statements under the UCC. The rights and remedies of Agent and the Lenders arising under this Agreement, the Irrevocable Power of Attorney delivered by ZT Canada in connection herewith, and the Guaranty are all subject to provisions of this Agreement and the Guaranty and the limitations of applicable law, including those relating to the exercise of the rights of a secured party upon default under the UCC. Nothing in this Agreement or in the Irrevocable Power of Attorney delivered by ZT Canada in connection herewith shall be deemed to be a waiver by ZT Canada of its rights under applicable law, including the UCC.
8. Construction and Invalidity. Any provisions hereof contrary to, prohibited by or invalid under any laws or regulations shall be inapplicable and deemed omitted herefrom, but shall not invalidate the remaining provisions hereof.


9. **CHOICE OF LAW.** ZT CANADA AGREES THAT THE VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT AND ALL RIGHTS HEREUNDER SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. THIS AGREEMENT TOGETHER WITH THE FINANCING AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT OF ZT CANADA AND AGENT AND THE LENDERS WITH RESPECT TO THE INTELLECTUAL PROPERTY COLLATERAL, CAN ONLY BE CHANGED OR MODIFIED IN WRITING AND SHALL BIND AND BENEFIT ZT CANADA, AGENT, THE LENDERS AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS. ZT CANADA AND AGENT EACH HEREBY EXPRESSLY WAIVE ANY RIGHT OF TRIAL BY JURY ON ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING HEREUNDER.
10. Events of Default. Any of the following constitutes an Event of Default under this Agreement:
- (i) Any warranty or representation made by ZT Canada in this Agreement shall be or becomes false or misleading in any material respect; or
 - (ii) The occurrence of any Event of Default under the Financing Agreement, which is not cured or waived in writing by Agent or the Required Lenders.
11. Notices. ZT Canada covenants and agrees that, with respect to its Intellectual Property Collateral, it will give Agent written notice in the manner provided in the Financing Agreement of:
- (i) any claim by a third party that ZT Canada has infringed on the rights of a third party;
 - (ii) any material infringement by a third party (known to an executive officer of ZT Canada) on its rights; or
 - (iii) on a quarterly basis, unless an Event of Default has occurred and is continuing, in which case Agent may request more frequently, information concerning any United States registered Patents, Trademarks, tradenames, service marks, Copyrights, brand names, trade names, logos and other trade designations acquired or applied for by ZT Canada after the date hereof.
12. Further Assurances. ZT Canada will take any such action as Agent may reasonably require to further confirm or protect Agent's rights under this Agreement in the Intellectual Property Collateral. In furtherance thereof, ZT Canada hereby grants to Agent the power of attorney, in the form attached hereto, coupled with an interest which shall be irrevocable during the term of this Agreement.
13. Termination. The grant of a security interest in the Intellectual Property Collateral pursuant to this Agreement shall be of no further force or effect and, subject to the terms of the Financing Agreement, the Intellectual Property Collateral shall no longer be subject to the security interest of Agent, upon full payment of the Obligations (other than

Obligations arising under Section 7.12 of the Financing Agreement) and Agent's establishment of cash reserves sufficient, in Agent's discretion, to pay any contingent Obligations arising under Section 7.12 of the Financing Agreement. Upon ZT Canada's request, Agent shall within a reasonable time after any such termination execute and deliver to ZT Canada (at ZT Canada's expense) such documents and instruments as are reasonably necessary to evidence such termination and release of the security interest granted herein on any applicable public record.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the 7th of December, 2001.

ZHONE TECHNOLOGIES, INC.,
a corporation organized under the laws
of the Province of Ontario, Canada


By: GARY WETSEL
Title: CHIEF FINANCIAL OFFICER

Agreed and Accepted this
7th day of December, 2001

THE CIT GROUP/BUSINESS CREDIT, INC.

By: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the 7th of December, 2001.

ZHONE TECHNOLOGIES, INC.,
a corporation organized under the laws
of the Province of Ontario, Canada

By: _____
Title: _____

Agreed and Accepted this
7th day of December, 2001

THE CIT GROUP/BUSINESS CREDIT, INC.

By: Mukul Guliy
Title: VICE PRESIDENT

IRREVOCABLE POWER OF ATTORNEY

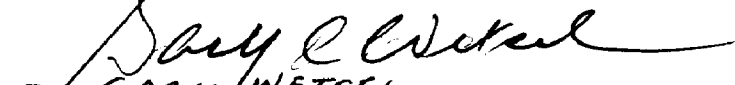
The undersigned (hereinafter, "ZT Canada"), hereby grants to The CIT Group/Business Credit, Inc., a New York corporation, with offices at 300 S. Grand Ave., 3rd Floor, Los Angeles, CA 90071 (hereinafter referred to as "Agent"), the exclusive Irrevocable Power of Attorney to transfer to Agent or to any designee of Agent all of ZT Canada's Intellectual Property Collateral listed on the Schedules attached to the Grant of Security Interest in Patents, Trademarks and Licenses (the "Agreement"), dated as of the date hereof, between ZT Canada and Agent including, without limitation, all patents, patent applications and/or registrations, trademarks, trademark applications and/or registrations, copyrights, copyright applications and/or registrations, and licenses together with the goodwill of the business connected with or symbolized by such Intellectual Property Collateral and ZT Canada's entire inventory of labels and decals bearing any trademarks not affixed to its products, and the right to operate and control, sell, assign, and transfer the business under those trademarks under the following terms and conditions:

1. The Power of Attorney granted hereunder shall be effective as of the date hereof and shall last for as long as any now existing or hereafter arising indebtedness, liabilities or obligations of Zhone Technologies, Inc., a Delaware corporation ("ZTI") and Premisys Communications, Inc., a Delaware corporation ("PCI") to the Lenders are outstanding under the Financing Agreement, dated on or about the date hereof, between ZTI and PCI, on the one hand and Agent and the Lenders on the other hand.
2. The Power of Attorney granted herein shall be irrevocable throughout the duration of its life as specified in Paragraph 1 hereinabove; and
3. The Power of Attorney granted herein shall only be exercisable by Agent during the continuance of an Event of Default under the Agreement.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, ZT Canada has caused this Power of Attorney to be executed as of the 7th of December, 2001.

ZHONE TECHNOLOGIES, INC.,
a corporation organized under the laws
of the Province of Ontario, Canada


By: GARY WETSEL
Title: CHIEF FINANCIAL OFFICER

**SCHEDULE A TO GRANT OF SECURITY INTEREST IN PATENTS,
TRADEMARKS, COPYRIGHTS AND LICENSES**

U.S. PATENTS

<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>
--------------	-------------------	-------------------

**SCHEDULE C TO GRANT OF SECURITY INTEREST IN PATENTS,
TRADEMARKS, COPYRIGHTS AND LICENSES**

U.S. COPYRIGHTS

Copyright

Registration No.

Registration Date



APRIL 04, 2002

PTAS

Chief Information Officer
Washington, DC 20231
www.uspto.gov

BUCHALTER, NEMER ET AL
MR. MICHAEL WRIGHT
601 SO. FIGUEROA ST., STE. 2400
LOS ANGELES, CA 90017



101978078A

UNITED STATES PATENT AND TRADEMARK OFFICE
NOTICE OF NON-RECORDATION OF DOCUMENT

DOCUMENT ID NO.: 101978078

THE ENCLOSED DOCUMENT HAS BEEN EXAMINED AND FOUND NON-RECORDABLE BY THE ASSIGNMENT DIVISION OF THE U.S. PATENT AND TRADEMARK OFFICE. THE REASON(S) FOR NON-RECORDATION ARE STATED BELOW. DOCUMENTS BEING RESUBMITTED FOR RECORDATION MUST BE ACCOMPANIED BY A NEW COVER SHEET REFLECTING THE CORRECT INFORMATION TO BE RECORDED AND THE DOCUMENT ID NUMBER REFERENCED ABOVE.

THE ORIGINAL DATE OF FILING OF THIS ASSIGNMENT DOCUMENT WILL BE MAINTAINED IF RESUBMITTED WITH THE APPROPRIATE CORRECTION(S) WITHIN 30 DAYS FROM THE DATE OF THIS NOTICE AS OUTLINED UNDER 37 CFR 3.51. THE RESUBMITTED DOCUMENT MUST INCLUDE A STAMP WITH THE OFFICIAL DATE OF RECEIPT UNDER 37 CFR 3. APPLICANTS MAY USE THE CERTIFIED PROCEDURES UNDER 37 CFR 1.8 OR 1.10 FOR RESUBMISSION OF THE RETURNED PAPERS, IF THEY DESIRE TO HAVE THE BENEFIT OF THE DATE OF DEPOSIT IN THE UNITED STATES POSTAL SERVICE.

SEND DOCUMENTS TO: U.S. PATENT AND TRADEMARK OFFICE, ASSIGNMENT DIVISION, BOX ASSIGNMENTS, CG-4, 1213 JEFFERSON DAVIS HWY, SUITE 320, WASHINGTON, D.C. 20231. IF YOU HAVE ANY QUESTIONS REGARDING THIS NOTICE, YOU MAY CONTACT THE INDIVIDUAL WHOSE NAME APPEARS ON THIS NOTICE AT 703-308-9723.

1. THE COVER SHEET SUBMITTED FOR RECORDING IS NOT ACCEPTABLE. THE ATTACHMENTS THAT WERE INDICATED ON THE COVER SHEET WERE NOT RECEIVED BY THE ASSIGNMENT DIVISION. THE REFERENCED DOCUMENTS MUST BE PRESENT BEFORE RECORDING.

STEVEN POST, EXAMINER
ASSIGNMENT DIVISION
OFFICE OF PUBLIC RECORDS

RECORDED: 01/24/2002

TRADEMARK
REEL: 002500 FRAME: 0124