



# **FORM 8-K**

## **SEDONA CORP - SDNA**

**Filed: January 07, 2009 (period: December 31, 2008)**

Report of unscheduled material events or corporate changes.

# Table of Contents

[8-K - 8-K](#)

[Item 1.01](#)      [Entry into a Material Definitive Agreement](#)

[Item 2.03](#)      [Creation of a Direct Financial Obligation](#)

[Item 3.02](#)      [Unregistered Sales of Equity Securities](#)

[Item 8.01](#)      [Other Events](#)

[ITEM 9.01](#)    [EXHIBITS](#)

[EX-10.113 \(EX-10.113\)](#)

[EX-10.114 \(EX-10.114\)](#)

[EX-10.115 \(EX-10.115\)](#)

[EX-10.116 \(EX-10.116\)](#)

[EX-10.117 \(EX-10.117\)](#)

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**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported): December 31, 2008**

**SEDONA CORPORATION**

(Exact name of registrant as specified in its charter)

**Pennsylvania**  
(State or other jurisdiction of  
incorporation)

0-15864  
(Commission File No.)

95-4091769  
(IRS Employer Identification No.)

**1003 West Ninth Street  
King of Prussia, Pennsylvania**  
(Address of principal executive offices)

**19406**  
(Zip Code)

Registrant's telephone number, including area code: **(610) 337-8400**

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **TABLE OF CONTENTS**

[Item 1.01 Entry into a Material Definitive Agreement](#)

[Item 2.03 Creation of a Direct Financial Obligation](#)

[Item 3.02 Unregistered Sales of Equity Securities](#)

[Item 8.01 Other Events](#)

[ITEM 9.01 EXHIBITS](#)

[EX-10.113](#)

[EX-10.114](#)

[EX-10.115](#)

[EX-10.116](#)

[EX-10.117](#)

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## SECTION 1 — REGISTRANT’S BUSINESS AND OPERATIONS

### **Item 1.01 Entry into a Material Definitive Agreement**

On December 31, 2008, Sedona Corporation (“Sedona”) entered into certain agreements related to the consolidation and refinancing of certain indebtedness and the borrowing of additional funds (the “Refinancing Transaction”). In the Refinancing Transaction, among other things, (i) indebtedness totaling \$1,531,582.23 was exchanged for 30,631,645 shares of common stock of Sedona (the “Shares”) (ii) indebtedness in the amount of \$5,100,000 was extended from January 1, 2009 until January 4, 2010 and (iii) Sedona received new funding in an aggregate maximum amount of \$2,250,000. Information regarding the Refinancing Transaction is set forth in Item 2.03 and is incorporated herein by reference.

## SECTION 2 — FINANCIAL INFORMATION

### **Item 2.03 Creation of a Direct Financial Obligation**

The Board of Directors of Sedona (“the “Board”) desired to renegotiate the terms of existing indebtedness to David R. Vey, the Chairman and a shareholder of Sedona (“Vey”) and William W. Rucks, IV (“Rucks”) which was due to mature on January 1, 2009. On December 3, 2008, the Board established an Independent Committee of the Board of Directors of Sedona (the “Independent Committee”) for the purpose of reviewing and negotiating the terms of such refinancing and the additional financing to be provided by Vey Associates Incorporated, a Louisiana company in which Mr. Vey is the sole shareholder. Sedona (“Vey Associates”). The Independent Committee met several times during December 2008 to review and discuss the terms of the Refinancing Transaction. The Independent Committee also held numerous discussions with Sedona’s legal counsel and Mr. Vey.

On December 31, 2008, upon recommendation of the Independent Committee, the Board approved the terms of definitive agreements related to: (i) the refinancing of certain indebtedness of Sedona to Mr. Vey, (ii) the refinancing of certain indebtedness of Sedona to Mr. Rucks, and (iii) additional financing to be provided by Vey Associates, Mr. Vey, and Vey Associates have executed definitive agreements with respect to the Refinancing Transaction, as described below.

Sedona and Mr. Rucks have reached an agreement in principal with respect to the refinancing of certain indebtedness to Mr. Rucks in the amount of \$1,000,000 and to the other terms of the Refinancing Transaction involving Mr. Rucks. However, as of the present Mr. Rucks has not yet executed documentation relating to the restructuring of Sedona’s obligation to Mr. Rucks. While Sedona anticipates that Mr. Rucks will execute such documentation in the near future, there can be no assurance that Mr. Rucks will do so. In the event that Mr. Rucks does not execute such documentation, Sedona will have defaulted on its obligations under the Existing Rucks Notes (as defined herein.) and Mr. Rucks may seek remedies customarily available to unsecured creditors in similar circumstances.

Refinancing of Existing Notes to Mr. Vey

On December 31, 2008, the Independent Committee recommended to the Board of Directors that Sedona consolidate, amend, and extend the term of three existing promissory notes previously issued by Sedona to Mr. Vey into a single secured convertible promissory note. On December 31, 2008, the Board of Directors approved such consolidation, amendment and extension and the parties executed a Loan and Refinancing Agreement setting forth the terms of the Refinancing Transaction (the "Refinancing Agreement").

*The Existing Notes*

Pursuant to the terms of the Refinancing Agreement, the following existing notes, issued by Sedona to Mr. Vey, having a total principal amount of \$ 4,595,216.17, immediately prior to the Refinancing Transaction, were consolidated, amended and extended:

1. A convertible promissory note, dated as of October 23, 2006, in the principal amount \$2,691,263.36 (the "Old Convertible Note"), which had a maturity date, as previously extended, of January 1, 2009, unless theretofore converted, and bore interest at the rate of eight percent (8%) per year, which interest was due upon maturity. Pursuant to the Old Convertible Note, Mr. Vey had the option to convert all or part of the unpaid principal and accrued but unpaid interest thereunder into Shares at a conversion price of \$0.14 per share. The number of Shares which would have been issuable upon the conversion of the \$2,691,263.36 principal balance of the Old Convertible Note was 19,223,309.
2. A promissory note, dated as of October 23, 2006, in the principal amount of \$1,213,952.81 (the "Bridge Note"), which had a maturity date, as previously extended, of January 1, 2009 and bore interest at a rate of eight percent (8%) per year.
3. A secured revolving promissory note dated as of September 27, 2006, in the principal amount of \$690,000.00 (the "Revolving Note"). The Revolving Note was payable by application of the proceeds of the receivables of Sedona, together with accrued interest at the rate of eight percent (8%) per year. The maturity date, as previously extended, for the Revolving Note was January 1, 2009.

The Old Convertible Note, the Bridge Note and the Revolving Note are collectively referred to below as the "Existing Notes."

*Partial Conversion of Interest and Principal*

In connection with the Refinancing Transaction, Mr. Vey converted a portion of the total principal of the Existing Notes in the amount of \$495,216.17 and all of the accrued interest under the Existing Notes in the amount of \$767,522.87 into Shares at the rate of \$0.05 per share, for a total of 25,254,781 Shares (the "Conversion"). After the Conversion, as described below, Sedona issued to Mr. Vey a new convertible note in the amount of \$4,100,000.00, which represented the total balance of the principal currently due and owing to Mr. Vey by Sedona under the Existing Notes.

*Warrants*

In consideration for Mr. Vey's agreement to refinance the Existing Notes and to effect the Conversion, Sedona agreed to grant to Mr. Vey a warrant to purchase 12,627,390 Shares at a price of \$0.07 per share, which warrant shall expire four (4) years from the date of issuance. Sedona anticipates that the warrant, when issued, will have anti-dilution and other additional terms consistent with other warrants previously issued by Sedona.

*The New Convertible Note*

In exchange for the Existing Notes, Sedona issued to Mr. Vey a consolidated secured convertible promissory note, dated as of December 31, 2008, in the principal amount \$4,100,000.00 (the "New Convertible Note"). The New Convertible Note has a maturity date of January 4, 2010, unless theretofore converted, and bears interest at the rate of eight percent (8%) per year, which interest will be due upon maturity. Mr. Vey has the option to convert, at any time, all or part of the unpaid principal and accrued but unpaid interest of the New Convertible Note into Shares at a conversion price of \$0.05 per share. The number of Shares which would be issuable upon the conversion of the \$4,100,000.00 principal balance of the New Convertible Note is presently 82,000,000. The New Convertible Note is secured by substantially all of the assets of Sedona pursuant to the terms of a Security Agreement between Mr. Vey and Sedona, dated as of October 23, 2006. A discussion of the priority of Sedona's obligations to Mr. Vey and its other creditors, after giving effect to the Refinancing Transaction, is set forth below.

The New Convertible Note contains certain mandatory prepayment provisions. In the event that Sedona receives total net proceeds from (i) sales of Sedona's securities (other than to Mr. Vey and his affiliates) and (ii) litigation awards exceeding \$1,000,000; or in the event that Sedona maintains current cash on hand in excess of \$2,000,000.00 for a period exceeding thirty (30) days, an amount equal to fifty percent of such proceeds or cash shall be paid by Sedona to Mr. Vey as a mandatory prepayment.

The New Convertible Note contains customary anti-dilution provisions and Sedona has agreed that it will use its best efforts to register for resale with the Securities and Exchange Commission on or before April 30, 2009 all Shares to be issued under the New Convertible Note.

*Financing with Vey Associates*

On December 31, 2008, the Independent Committee recommended to the Board of Directors that Sedona enter into a new agreement to borrow up to \$2,250,000.00 from Vey Associates (the "New Loan"). Vey Associates has agreed to fund the New Loan in five (5) installments as follows:

- (i) the first installment in the amount of \$100,000.00, which has been funded;
- (ii) the second installment on or before January 15, 2009, in the amount of \$350,000.00;
- (iii) the third installment on or before February 15, 2009, in the amount of \$550,000.00;

## Table of Contents

- (iv) the fourth installment on or before April 15, 2009 in the amount of \$750,000.00; and
- (v) the fifth installment on or before September 30, 2009 in the amount of \$500,000.00.

Payment of the fifth installment is subject to the Company achieving a certain profitability level, referred to as “EBITDA Break Even”, at the end of the 3rd quarter of Fiscal year 2009, (i.e. September 30, 2009).

The New Loan is evidenced by a secured convertible promissory note having a principal amount of up to \$2,250,000.00 (the “Vey Associates Convertible Note”). The Vey Associates Convertible Note has a maturity date of January 4, 2010, unless theretofore converted, and bears interest at the rate of eight percent (8%) per year, which interest will be due upon maturity. Once \$1,750,000 of the New Loan has been paid to Sedona, Vey Associates has the option to convert all or part of the unpaid principal and accrued but unpaid interest of the Vey Associates Convertible Note into Shares at a conversion price of \$0.05 per share. The number of Shares which would be issuable upon the conversion of the \$2,250,000.00 principal balance is presently 45,000,000.

The Vey Associates Convertible Note contains certain mandatory prepayment provisions. In the event that total net proceeds received by Sedona from (i) sales of Sedona’s securities (other than to Mr. Vey and his affiliates) and (ii) litigation awards exceed \$1,000,000.00; or Sedona maintains current cash on hand in excess of \$2,000,000.00 for a period exceeding thirty (30) days, an amount equal to fifty percent of such proceeds or cash shall be paid by Sedona to Vey Associates as a mandatory prepayment.

The Vey Associates Convertible Note is secured by substantially all of the assets of Sedona pursuant to a Security Agreement dated as of December 31, 2008 between Sedona and Vey Associates (the “Vey Associates Security Agreement”).

The Vey Associates Convertible Note contains customary anti-dilution provisions and Sedona has agreed that it will use its best efforts to register for resale with the Securities and Exchange Commission on or before April 30, 2009 for all Shares to be issued under the Vey Associates Convertible Note.

On December 31, 2008, the Board of Directors approved the terms of the New Loan and the parties executed the Refinancing Agreement.

### Amended and Restated Intercreditor Agreement

Mr. Vey, Vey Associates, Sedona and Oak Harbor Investment Properties, LLC (“Oak Harbor”), a company in which Mr. Vey is a managing member and 35% owner, entered into an Amended and Restated Intercreditor Agreement, dated as of December 31, 2008 (the “Intercreditor Agreement”). The Intercreditor Agreement provides (i) that Oak Harbor shall have a first priority interest in substantially all of the assets of Sedona with regard to the obligations of Sedona to Oak Harbor under an existing promissory note and related security agreement, and (ii)

## Table of Contents

that the security interests of Vey Associates under the Vey Associates Convertible Note shall be junior to those of Oak Harbor but senior to those of Mr. Vey.

### Refinancing with William Rucks

On December 31, 2008 the Independent Committee recommended to the Board of Directors that Sedona consolidate, amend, and extend the term of three convertible promissory notes previously issued by Sedona to Mr. Rucks, into a single secured convertible promissory note in the principal amount of \$1,000,000.00. On December 31, 2008, the Board of Directors approved such consolidation, amendment and extension.

Sedona and Mr. Rucks have reached an agreement in principal with respect to the refinancing of certain indebtedness to Mr. Rucks in the amount of \$1,000,000 and to the other terms of the Refinancing Transaction involving Mr. Rucks. However, as of the present Mr. Rucks has not yet executed documentation relating to the restructuring of Sedona's obligation to Mr. Rucks. While Sedona anticipates that Mr. Rucks will execute such documentation in the near future, there can be no assurance that Mr. Rucks will do so. In the event that Mr. Rucks does not execute such documentation, Sedona will have defaulted on its obligations under the Existing Rucks Notes and Mr. Rucks may seek remedies customarily available to unsecured creditors in similar circumstances.

### *The Existing Notes*

Pursuant to the terms of the proposed Amended and Restated Loan Agreement between Mr. Rucks and Sedona, which remains subject to execution by Mr. Rucks, the following existing notes, having a total principal amount of \$1,000,000.00 would be consolidated, amended and extended:

(i) A convertible promissory note dated July 1, 2005 in the principal amount of \$250,000.00, as amended from time to time, which had a maturity date, as previously extended, of January 1, 2009, unless theretofore converted and bore interest at the rate of eight percent (8%) per year, which interest was due upon maturity. Mr. Rucks had the option to convert all or part of the unpaid principal and accrued but unpaid interest of such note into Shares at a conversion price of \$0.18 per share.

(ii) A convertible promissory note dated August 2, 2005 in the principal amount of \$250,000, as amended from time to time, which had a maturity date, as previously extended, of January 1, 2009, unless theretofore converted and bore interest at the rate of eight percent (8%) per year, which interest was due upon maturity. Mr. Rucks had the option to convert all or part of the unpaid principal and accrued but unpaid interest of such note into Shares at a conversion price of \$0.18 per share.

(iii) A convertible note dated September 30, 2005 in the principal amount of \$500,000.00, as amended from time to time, which had a maturity date, as previously extended, of January 1, 2009, unless theretofore converted, and bore interest at the rate of eight percent (8%) per year, which interest was due upon maturity. Mr. Rucks had the option to convert all or part of the

## Table of Contents

unpaid principal and accrued but unpaid interest of such note into Shares at a conversion price of \$0.18 per share.

The aforementioned notes are collectively referred to below as the “Existing Rucks Notes”.

### *Rucks Conversion*

Under the proposed Amended and Restated Loan Agreement, Mr. Rucks would convert all of the interest of the Existing Rucks Notes in the amount of \$268,843.19 into Shares at the rate of \$0.05 per share, for a total of 5,376,864 Shares (the “Rucks Conversion”).

### *Warrants*

In consideration of Mr. Rucks’ agreement to refinance the Existing Rucks Notes and to effect the Rucks Conversion, Sedona would agree to grant Mr. Rucks a warrant to purchase 2,688,432 Shares at a price of \$0.07 per share, which warrant would expire four (4) years from the date of issuance. Sedona anticipates that the warrant would have anti-dilution and other additional terms consistent with other warrants previously issued by Sedona.

### *The New Rucks Convertible Note*

In exchange for the Existing Rucks Notes, Sedona would issue Mr. Rucks a consolidated convertible promissory note, dated as of December 31, 2008, in the principal amount \$1,000,000.00 (the “New Convertible Rucks Note”). The New Rucks Convertible Note would have a maturity date of January 4, 2010, unless theretofore converted and bears interest at the rate of eight percent (8%) per year, which interest is due upon maturity. In addition, Mr. Rucks would have the option to convert all or part of the unpaid principal and accrued but unpaid interest of the New Rucks Convertible Note into Shares at a conversion price of \$0.05 per share. The number of Shares which would be issuable upon conversion of the \$1,000,000.00 principal balance of the New Rucks Convertible Note is 20,000,000.00.

Mr. Rucks would have the right to demand prepayment of the New Rucks Convertible Note in full if, during the term thereof either of the following conditions is met: (a) Sedona receives new funds from any source (*i.e.*, including internal sources such as collections of accounts receivable as well as any external sources of funds such as sales of securities), other than the New Loan from Vey Associates, totaling in excess of \$3,500,000 during the term of the New Rucks Convertible Note; or (b) Sedona has current cash on hand in excess of \$1,000,000.00 for a period exceeding 30 days.

### Sedona to seek approval for Additional Shares

The Articles of Incorporation of Sedona provides for 175,000,000 of which 101,004,818 were issued and outstanding as of December 31, 2008. At the present time, Sedona does not have sufficient authorized Shares to issue all of the Shares to Mr. Vey required upon full conversion of notes and exercise of options and warrants. Sedona intends to seek approval of its shareholders for an amendment to its Articles of Incorporation to increase its authorized Shares by at least an amount necessary to cover its Share issuance obligations at its next annual

shareholders' meeting. Mr. Vey and Vey Associates have agreed to refrain from converting any notes or exercising any options or warrants which they respectively hold until Sedona has a sufficient number of authorized Shares in exchange for an agreement by Sedona to allow Vey Associates to pledge the Vey Associates Convertible Note or Mr. Vey to pledge the New Convertible Note in the future.

### SECTION 3 – SECURITIES AND TRADING MARKETS

#### **Item 3.02 Unregistered Sales of Equity Securities**

As more fully described above in Item 2.03, on December 31, 2008, Sedona issued unregistered convertible notes, shares, and warrants to purchase shares (the "Securities") to Mr. Vey and Vey Associates in connection with the Refinancing Transaction. Sedona relied on the exemption from registration provided by Section 4(2) of the Securities Act of 1933 with respect to the issuance of Securities in the Refinancing Transaction. Sedona did not pay any brokerage fees, commissions, or similar consideration to any party in connection with the issuance of these Securities.

### SECTION 8 – OTHER EVENTS

#### **Item 8.01 Other Events**

##### Beneficial Ownership of Shares by Mr. Vey

Immediately prior to the Refinancing Transaction, Sedona had 101,004,818 issued and outstanding. Mr. Vey then was the direct owner of 32,539,689 shares or 32% of the then outstanding Shares. Mr. Vey then also had the right to acquire 22,950,784 additional shares through conversion of notes, interest, and options.

As a result of the Refinancing Transaction, as of December 31, 2008, Mr. Vey then was (and is currently) the direct owner of 57,794,470 Shares or 43.9% of the outstanding Shares. Mr. Vey or his affiliates have or will have the right to acquire additional Shares through conversion of notes or the exercise of warrants and options as follows: (i) 45,000,000 Shares upon any future conversion of the Vey Associates Convertible Note, subject to certain contingencies over periods of time as described above, (ii) 82,000,000 upon any future conversion of the New Convertible Note, (iii) 12,627,390 Shares upon any exercise of the warrants to be granted by Sedona, and (iv) 310,000 Shares upon the exercise of options granted to Mr. Vey in prior years.

After giving effect to the Refinancing Transaction, Mr. Vey and his affiliates have the right to acquire additional Shares, as described above, which, if acquired, together with the Shares he directly owns would result in his owning more than 50.0% of the issued and outstanding Shares.

[Table of Contents](#)

The foregoing summary is not complete and is qualified in its entirety by reference to the complete texts of the respective agreements, notes, and other documents referred to above, which are filed as Exhibits to this Form 8-K and which are incorporated herein by reference in their entirety.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: January 7, 2009

SEDONA CORPORATION

By: /s/ Scott Edelman  
Scott Edelman  
President and Chief Executive Officer

-9-

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**ITEM 9.01 EXHIBITS**

- 10.113 Loan and Refinancing Agreement between Sedona Corporation and Vey Associates, Incorporated, dated as of December 31, 2008.
- 10.114 Consolidated and Restated Convertible Promissory Note in the principal amount of \$4,100,000 between David R. Vey and Sedona Corporation, dated as of December 31, 2008.
- 10.115 Secured Convertible Note in the principal amount of \$2,250,000.00 from Sedona Corporation to Vey Associates Incorporated, dated as of December 31, 2008.
- 10.116 Security Agreement from Sedona Corporation to Vey Associates Incorporated, dated as of December 31, 2008.
- 10.117 Intercreditor Agreement among Oak Harbor Investment Properties, L.L.C., David R. Vey, Vey Associates Incorporated and Sedona Corporation, dated as of December 31, 2008.

**EXHIBIT 10.113**

**LOAN AND REFINANCING AGREEMENT**

**THIS LOAN AND REFINANCING AGREEMENT** dated as of December 31, 2008 (the "Agreement"), is entered into by and between Vey Associates, Incorporated, a Louisiana Corporation ("Investor"), David R. Vey, an individual, ("Vey") and Sedona Corporation, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (the "Company").

**WHEREAS**, the Company desires to refinance sums payable to Vey pursuant to the terms of certain promissory notes issued by the Company in favor of Vey; and

**WHEREAS**, the terms of the Existing Notes (as defined herein) will be amended and consolidated into a single note issued by the Company in favor of Vey; and

**WHEREAS**, in connection with such refinancing, Vey desires to convert certain principal and interest under the Existing Notes into shares of common stock of the Company; and

**WHEREAS**, the Company desires to obtain additional working capital for its operations up to a principal amount of \$2,250,000.00 from Investor in exchange for a note that can be converted by Investor to shares of the Company's Common Stock;

**NOW, THEREFORE**, the Company, Vey, Investor, and each of them, agree as follows:

**ARTICLE I  
CERTAIN DEFINITIONS**

Section 1.1. "Common Stock" shall mean the Company's common stock, \$.001 par value per share.

Section 1.2. "Converted Shares" shall mean that number of shares of Common Stock issued in reduction of the principal and/or interest due on the Existing Note, Consolidated Note (as defined herein), or New Note (as defined herein) which the Investor or Vey elects to convert to Common Stock.

Section 1.3. "Person" shall mean an individual, a corporation, a partnership, a limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

Section 1.4. "SEC Documents" shall mean the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and each report, proxy statement or registration statement filed by the Company with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 or the Securities Act since the filing of such Annual Report through the date hereof.

Section 1.6. "Securities Act" shall mean the Securities Act of 1933, as amended.

Section 1.7. "Warrants" shall mean the Warrants that the Investor and Vey shall receive pursuant to the terms set forth in Section 4.2.

Section 1.8. "Warrant Shares" shall mean all shares of Common Stock issuable pursuant to exercise of the Warrants.

## **ARTICLE II THE LOAN**

### Section 2.1. Funding of Loan.

The Investor will provide working capital to the Company in amounts up to Two Million Two Hundred Fifty Thousand (\$2,250,000) Dollars (the "Loan"). The Investor will fund the Loan in six (6) Tranches (the "Tranches") as set forth below.

- (a) The first Tranche will be paid to Company on the date hereof in the amount of One Hundred Thousand (\$100,000.00) Dollars;
- (b) The second Tranche will be paid to Company on or before January 10, 2009, in the amount of Three Hundred Fifty Thousand (\$350,000.00) Dollars;
- (c) The third Tranche will be paid to Company on or before February 15, 2009, in the amount of Five Hundred Fifty Thousand (\$550,000.00) Dollars;
- (d) The fourth Tranche will be paid to the Company on or before April 15, 2009 in the amount of Seven Hundred Fifty Thousand (\$750,000.00) Dollars;
- (e) The fifth Tranche will be paid to the Company on or before September 30, 2009 in the amount of Five Hundred Thousand (\$500,000.00) Dollars provided that the Company the Company has met the condition set forth in Section 2.3; and

### Section 2.2. Convertible Note.

In exchange for the funding of the Loan by the Investor, the Company will issue a convertible note in the form as that set forth in Exhibit A hereto which shall provide for interest at the rate of Eight (8%) Percent per annum and, shall have a maturity date of January 4, 2010 (the "New Note") unless otherwise converted pursuant to Section 4.1.

### Section 2.3. Condition of Fifth Tranche.

In order for Investor to fund the fifth Tranche, the Company must achieve "EBITDA Breakeven" for the third quarter of Fiscal year 2009.

**ARTICLE III  
REFINANCING**

**Section 3.1. Existing Notes.**

The Company and Vey desire to refinance the Existing Notes by extending the maturity date thereof and by creating or adjusting certain conversion rights thereunder. The Existing Notes consist of:

(a) a Convertible Promissory Note (the "Old Convertible Note") in the principal amount of Two Million Six Hundred Ninety One Thousand Two Hundred Sixty Three 36/100 Dollars (\$2,691,263.36) from the Company in favor of Vey, dated October 23, 2006, as amended from time to time, with accrued interest in the amount of Four Hundred Seventy Eight Thousand Four Hundred Forty Six and 82/100 Dollars (\$478,446.82);

(b) a Revolving Promissory Note (the "Revolving Note") in the principal amount of Six Hundred Ninety Thousand Dollars (\$690,000.00) from the Company in favor of Vey, dated September 27, 2006, as amended from time to time, with accrued interest in the amount of Seventy Three Thousand Two Hundred Sixty Two and 22/100 Dollars (\$73,262.22); and

(c) a Promissory Note (the "Bridge Note") in the principal amount of One Million Two Hundred Thirteen Thousand Nine Hundred Fifty Two 81/100 Dollars (\$1,213,952.81) from the Company in favor of Vey, dated October 23, 2006, as amended from time to time, with accrued interest in the amount of Two Hundred Fifteen Thousand Eight Hundred Thirteen and 83/100 dollars (\$215,813.83).

**Section 3.2 Partial Conversion of the Existing Notes.**

The Company and Vey agree that by execution of this Agreement Vey is converting Four Hundred Ninety Five Thousand Two Hundred Sixteen 17/100 Dollars (\$495,216.17) of principal and Seven Hundred Sixty Seven Thousand Five Hundred Twenty Two and 81/100 Dollars (\$767,522.87) of interest of the Existing Notes. The conversion price for principal and interest shall be \$0.05 per Converted Share for a total of 25,254,781 shares.

Section 3.3 Refinancing and Consolidation of Existing Notes.

After such conversion, the Existing Notes shall be amended and consolidated into a single note (the "Consolidated Note") in the principal amount of Four Million One Hundred Thousand Dollars (\$4,100,000) in substantial form as that set forth in Exhibit B hereto which (i) shall provide for interest at the rate of Eight (8%) Percent per annum and, (ii) shall have a maturity date of January 4, 2010 unless otherwise converted pursuant to Section 4.1, (iii) shall have a conversion price of \$0.05 per Converted Share, and (iv) shall have such other terms as are set forth in Exhibit B. The Consolidated Note and the New Note shall be collectively referred to as the "Convertible Notes."

**ARTICLE IV  
CONVERSION RIGHTS**

Section 4.1. Conversion of Principal/Interest.

Investor or Vey may elect in writing to convert all or a designated part of the outstanding principal or interest due pursuant to the Convertible Notes to Converted Shares of the Company at any time. The conversion price for principal and interest shall be \$0.05 per Converted Share. Notwithstanding the foregoing, Investor and the Company agree that Investor shall not be permitted to convert any portion of the New Note until such time as Investor has provided funding to the Company which equals One Million Seven Hundred Fifty Thousand Dollars (\$1,750,000).

Section 4.2. Warrants.

Vey is hereby granted one (1) Warrant to purchase 12,627,390 shares of the Company's common stock at an exercise price of \$0.07 per share, which shall expire four (4) years from the date of issuance.

**ARTICLE V  
COVENANTS OF THE INVESTOR**

Section 5.1 Covenants

The Investor covenants to the Company that he will not sell, assign, hypothecate, pledge, convey, or otherwise transfer a Convertible Note, Converted Share, Warrant, or Warrant Share, except to a company controlled by the Investor, without registering such transaction under the Securities Act and applicable state securities laws or pursuant to exemptions from registration thereunder. Investor acknowledges that such instruments will bear a legend evidencing such restriction upon transfer.

**ARTICLE VI  
COVENANTS OF THE COMPANY**

Section 6.1.Reservation of Common Stock.

The Company does not currently have shares sufficient to issue the Converted Shares and Warrant Shares based upon its current Articles of Incorporation. The Company will use its best efforts to amend the Articles of Incorporation to provide for additional shares sufficient to permit issuance of the Converted Shares and the Warrants Shares. Thereafter, the Company shall reserve and keep available at all times, free of preemptive rights, shares of Common Stock for the purpose of enabling the Company to issue the Converted Shares pursuant to the Convertible Note and upon issuance of the Warrants, the Warrant Shares. The number of shares so reserved from time to time, as theretofore increased or reduced as hereinafter provided, may be reduced by the number of shares actually delivered pursuant to any exercise of the Warrants and the number of shares so reserved shall be increased or decreased to reflect potential increases or decreases in the Common Stock that the Company may thereafter be obligated to issue by reason of adjustments to the Warrants.

**ARTICLE VII  
MISCELLANEOUS**

Section 7.1Governing Law; Consent to Jurisdiction.

This Agreement shall be governed by and construed in accordance with the laws of the State of Louisiana without regard to the choice of law or conflicts of law provisions thereof. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the non-exclusive jurisdiction of the courts of the State of Louisiana and of the United States of America, located in the State of Louisiana, for any action, proceeding or investigation in any court or before any governmental authority (“Litigation”) arising out of or relating to this Agreement and the transactions contemplated hereby, and further agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in this Agreement shall be effective service of process for any Litigation brought against it in any such court. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any Litigation arising out of this Agreement or the transaction contemplated hereby in the courts of the State of Louisiana or the United States of America, located in the State of Louisiana, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Litigation brought in any such court has been brought in an inconvenient forum.

Section 7.2Notices.

All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) hand delivered, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the

address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the first business day following the date of sending by reputable courier service, fully prepaid, addressed to such address, or (c) upon actual receipt of such mailing, if mailed. The addresses for such communications shall be:

If to the Company:

Sedona Corporation  
1003 W. Ninth Avenue  
Second Floor  
King of Prussia, PA 19406  
Attention: Chief Financial Officer  
Facsimile: 610-337-8490

with a copy to (shall not constitute notice):

White and Williams LLP  
One Penn Plaza, Suite 4110  
New York, New York 10119  
Attention: Carl Seldin Koerner, Esq.  
Telephone: 212-631-4403  
Facsimile: 212-868-4843

if to the Investor:

As set forth on the signature pages hereto.

if to Vey:

As set forth on the signature pages hereto.

Any of the parties hereto may from time to time change its address or facsimile number for notices under this Section 7.2 by giving written notice of such changed address or facsimile number to the other party hereto as provided in this Section 7.2.

#### Section 7.3 Counterparts/Facsimile/Amendments.

This Agreement may be executed in multiple counterparts, each of which may be executed by less than all of the parties and shall be deemed to be an original instrument which shall be enforceable against the parties actually executing such counterparts and all of which together shall constitute one and the same instrument. Except as otherwise stated herein, in lieu of the original documents, a facsimile transmission or copy of the original documents shall be as effective and enforceable as the original. This Agreement may be amended only by a writing executed by all parties.

#### Section 7.4 Entire Agreement.

This Agreement, the forms of agreements attached as Exhibits hereto, set forth the entire agreement and understanding of the parties relating to the subject matter hereof and supersedes all prior and contemporaneous agreements negotiations and understandings between the parties, both oral and written relating to the subject matter hereof. The terms and conditions of all

Exhibits to this Agreement are incorporated herein by this reference and shall constitute part of this Agreement as is fully set forth herein.

Section 7.5 Severability.

In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided that such severability shall be ineffective if it materially changes the economic benefit of this Agreement to any party.

Section. 7.6 Headings.

The headings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

Section 7.7 Fees and Expenses.

Each of the Company and the Investor agrees to pay its own expenses incident to the performance of its obligations hereunder.

Section 7.8 No Brokerage.

Each of the parties hereto represents that it has had no dealings in connection with this transaction with any finder or broker who will demand payment of any fee or commission from the other party. The Company on the one hand, and the Investor, on the other hand, agree to indemnify the other against and hold the other harmless from any and all liabilities to any Person claiming brokerage commissions or finder's fees on account of services purported to have been rendered on behalf of the indemnifying party in connection with this Agreement or the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by the undersigned, thereunto duly authorized, as of the date first set forth above.

SEDONA CORPORATION

By: /s/ Scott Edelman  
Scott Edelman, President and Chief Executive Officer

/s/ David Vey  
David Vey

\_\_\_\_\_  
Address  
\_\_\_\_\_

VEY ASSOCIATES INCORPORATED

By: /s/ David Vey

\_\_\_\_\_  
Address  
\_\_\_\_\_

Form of Convertible Note

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR ANY APPLICABLE STATE SECURITIES LAWS. IT MAY NOT BE CONVERTED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.**

**SECURED CONVERTIBLE NOTE**

**\$2,250,000**

King of Prussia, Pennsylvania

**FOR VALUE RECEIVED**, the undersigned, **SEDONA CORPORATION**, a Pennsylvania corporation, promises to pay to the order of Vey Associates Incorporated, with the address of 11822 Justice Avenue Suite B-6, Baton Rouge, Louisiana 70816, the principal sum of up to TWO MILLION TWO HUNDRED FIFTY THOUSAND dollars (\$2,250,000.00), or so much thereof as shall have been advanced by the Holder to the Maker and then be outstanding pursuant to the terms of a certain Loan and Refinancing Agreement between Maker and Holder of even date herewith, together with interest thereon at the rate of eight percent (8%) per annum from the date hereof until the earlier of Maturity or the date the outstanding balance (as defined herein) shall be paid in full; provided that Holder shall be entitled, at any time that sums due pursuant to this Note are outstanding, to convert the then Outstanding Balance (as defined herein), or part thereof, into shares of Common Stock at a price of \$0.05 per share .

1. Definitions. The following definitions are applicable to the words, phrases or terms used in this Note.

(a) The term "Common Stock" shall mean the Maker's common stock, par value \$0.001 per share.

(b) The term "Conversion Price" shall mean \$0.05 per share of Common Stock.

(c) The term "Effective Date" shall refer to December 31, 2008.

(d) The term "Holder" shall mean and include such owner or holder and all heirs, successors and assigns of any owner or holder of this Note.

(e) The term "Maker" shall mean and include all makers, co-makers and other parties signing of this Note and their successors and assigns, and the use of the plural number shall include the singular, and vice versa, and the use of any gender shall include all genders.

(f) The term “Maturity” shall mean the date on which this Note shall be due and payable in full, which date shall be January 4, 2010, unless theretofore converted.

(g) The term “Note” shall refer to this instrument.

(h) The term “Notice of Exercise” shall mean the Notice of Exercise substantially in the form of Exhibit A attached hereto.

(i) The term “Oak Harbor” shall mean Oak Harbor Investment Properties. LLC.

(j) The term “Shares” shall mean all shares of Common Stock or other securities issued or issuable pursuant to the Notice of Exercise.

(k) The term “Vey” shall mean David R. Vey.

2. Payment Terms. The Maker shall be obligated to make one payment of all outstanding principal and unpaid interest due thereon at Maturity, unless converted. Unless otherwise designated in writing, mailed or delivered to Maker, the place for payment of the indebtedness evidenced by this Note shall be the Holder’s principal address as noted above. Payments received on this Note shall be applied first to accrued interest, and the balance to principal.

3. Events of Default. The following shall constitute an Event of Default:

(a) In the event Maker shall fail (i) to pay any sums due hereunder when due, or (ii) to observe or perform any term, condition, covenant, representation or warranty set forth herein, when due or required, or within any period of time permitted thereunder for cure of any such default or non-performance.

(b) In the event Maker fails to pay any invoice or other sum which may be due and payable to Holder, Vey, or Oak Harbor under certain promissory notes issued in their favor by the Maker, when due or required, according to the terms thereunder, unless prior written waiver has been granted to Maker by Holder, Vey, or Oak Harbor.

(c) In the event Maker has received notice of default on any financial obligation of Maker in excess of One Hundred Thousand Dollars (\$100,000.00) which remains uncured for a ten (10) day period.

4. Acceleration of Maturity. Upon the happening of any Event of Default, the Outstanding Balance (as defined herein) shall, at the option of the Holder, become immediately due and payable.

5. Security. The obligation of the Maker pursuant to this Note is secured by a lien and security interest in the collateral of the Maker as specifically set forth in a Security Agreement of even date herewith (the “Security Agreement”).

6. Limitation on Interest. In no contingency, whether by reason of acceleration of the Maturity of this Note or otherwise, shall the interest contracted for, charged or received by Holder exceed the maximum amount permissible under applicable law. If, from any circumstance whatsoever, interest would otherwise be payable to Holder in excess of the maximum lawful amount, the interest payable to Holder shall be reduced to the maximum amount permitted under applicable law; and, if from any circumstance the Holder shall ever receive anything of value deemed interest by applicable law in excess of the maximum lawful amount, an amount equal to any excessive interest shall be applied to the reduction of the principal of this Note and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of the Note such excess shall be refunded to Maker. All interest paid or agreed to be paid to Holder shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full period until payment in full of the principal of the Note (including the period of any renewal or extension thereof) so that interest thereon for such full period shall not exceed the maximum amount permitted by applicable law.

7. Remedies: Nonwaiver. Failure of Holder to exercise any right or remedy available to Holder upon the occurrence of an Event of Default hereunder shall not constitute a waiver on the part of Holder of the right to exercise any such right or remedy for that Event of Default or any subsequent Event of Default. The exercise of any remedy by Holder shall not constitute an election of any such remedy to the exclusion of any other remedies afforded Holder at law or in equity, all such remedies being nonexclusive and cumulative. If an Event of Default occurs under this Note and this Note is referred to an attorney at law for collection, Maker agrees to pay all costs incurred by Holder incident to collection up to a limit of 10% of the unpaid principal balance, including but not limited to reasonable attorney fees, enforceable as a contract of indemnity, plus all court costs.

8. Waivers. The Maker (i) waives presentment, protest and demand, (ii) waives notice of protest, demand, dishonor and nonpayment of this Note, and (iii) expressly agrees that this Note may be renewed in whole or in part, or any nonpayment hereunder may be extended, or a new note of different form may be substituted for this Note or changes may be made in consideration of the extension of the Maturity date hereof, or any combination thereof, from time to time, but, in any singular event or any combination of such events, Maker will not be released from liability by reason of the occurrence of any such event, nor shall Holder hereof be deemed by the occurrence of any such event to have waived or surrendered, either in whole or in part, any right it otherwise might have.

9. Option to Convert Note into Stock.

(a) Holder shall have the right and option (the "Conversion Right") to convert the unpaid principal balance of this Note or any part thereof, together with all accrued and unpaid interest (the "Outstanding Balance"), into shares of Common Stock. The number of Shares to be delivered on conversion shall be equal to the amount of the then Outstanding Balance divided by the Conversion Price, as adjusted, in compliance with the terms contained in Section 10 hereof.

(b) Maker shall use its best efforts to effectuate a registration statement for all Shares that may be issued under this Note within 120 days of the Effective Date.

## 10. Anti-Dilution.

(a) The Conversion Price shall be protected by the anti-dilution provisions set forth in this Section 10, provided that such anti-dilution shall not apply with respect to: (a) Maker's grant of restricted stock to employees or directors (whether granted prior to or after the Effective Date) pursuant to the terms and conditions of the Maker's 2000 Incentive Stock Option Plan; (b) Maker's grant of stock options to employees or directors or the exercise of stock options (whether granted prior to or after the Effective Date) by current, future, or past employee's or directors of the Maker; (c) the issuance of shares for a consideration greater than the Conversion Price in effect on the date of, and immediately prior to, such issuance, or (d) an issuance of shares for which the Holder gives a written waiver of such adjustment.

(b) Except as otherwise provided in this Section, in the event that the Maker shall, at any time after the Effective Date, issue or sell any shares of Common Stock, including shares held in the Maker's treasury and shares issued upon the exercise of any options, rights or warrants to subscribe for shares of Common Stock and Common Stock issued upon the direct or indirect conversion or exchange of securities for Shares, (i) for consideration per share less than the Conversion Price in effect immediately prior to such issuance or sale, or (ii) without consideration, then forthwith upon such issuance or sale, the Conversion Price (until another such issuance or sale) shall be reduced (the "Adjusted Conversion Price") to the price (calculated to the nearest full cent) determined by multiplying the Conversion Price in effect immediately prior to such issuance or sale by a fraction, the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding immediately prior to such issuance or sale multiplied by the Conversion Price immediately prior to such issuance or sale, plus (2) the consideration received by the Maker upon such issuance or sale, and the denominator of which shall be the product of (x) the total number of shares of Common Stock outstanding immediately after such issuance or sale, multiplied by (y) the Conversion Price, immediately prior to such issuance or sale; provided, however, that in no event shall the Adjusted Conversion Price exceed the Conversion Price in effect immediately prior to such computation, except in the case of a combination of outstanding shares of Common Stock, as provided by Section 10(e) hereof. In no event shall the Conversion Price be increased.

(c) For the purposes of any computation to be made in accordance with this Section, 10 the following shall be applicable:

(i) In the case of issuance or sale of shares of Common Stock for a consideration part or all of which shall be cash, the amount of the cash consideration therefore shall be deemed to be the amount of cash received by the Maker for such shares (or, if shares of Common Stock are offered by the Maker for subscription, the subscription price, or, if such securities shall be sold to underwriters or dealers for public offering without subscription offering, the public offering price) before deducting therefrom any compensation paid or discount allowed in the sale, underwriting or purchase thereof by underwriters or dealers or others performing similar services, or any expenses incurred in connection therewith.

(ii) In the case of the issuance or sale (otherwise than as a dividend or other distribution on any stock of the Maker) of shares of Common Stock for a consideration part or all of which shall be other than cash, the amount of the consideration therefor other than cash shall

be deemed to be the fair market value of such consideration as determined in good faith by the Board of Directors of the Maker.

(iii) Shares of Common Stock issuable by way of dividend or other distribution on any stock of the Maker shall be deemed to have been issued immediately after the opening of business on the day following the record date for the determination of shareholders entitled to receive such dividend or other distribution and shall be deemed to have been issued without consideration.

(iv) The reclassification of securities of the Maker other than shares of Common Stock into securities including shares of Common Stock shall be deemed to involve the issuance of such shares of Common Stock for a consideration other than cash immediately prior to the close of business on the date fixed for the determination of security holders entitled to receive such shares, and the value of the consideration allocable to such shares of Common Stock shall be determined as provided in subsection (ii) above.

(v) The number of shares of Common Stock at any one time outstanding shall include the aggregate number of shares issued or issuable upon the exercise of options, warrants or rights and upon the conversion or exchange of convertible or exchangeable securities.

(d) In case the Maker shall, at any time after the Effective Date, subdivide Common Stock, the Conversion Price shall forthwith be proportionately decreased.

(e) The Maker will, at all times, reserve and keep available out of its authorized Common Stock or its treasury shares, solely for the purpose of issue upon the conversion of this Note as herein provided, such number of shares of Common Stock as shall then be issuable upon the conversion of this Note.

11. Mechanics of Conversion. Before the Holder shall be entitled to convert this Note into Shares, the Holder shall surrender this Note, duly endorsed, at the office of the Maker, and shall give written Notice of Exercise (the "Notice of Conversion") to the Maker at its principal corporate office of the election to convert the same and shall state therein the name or names in which the certificate or certificates for the Shares are to be issued. The form of Notice of Conversion is attached hereto as Exhibit A. The Maker shall, promptly after receipt of the Notice of Conversion, issue and deliver to such persons at the address specified by the Holder, a certificate or certificates for the Shares to which the Holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of surrender of this Note, and the persons entitled to receive the Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Shares as of such date. No fractional shares shall be issued upon conversion of this Note and the number of Shares to be issued shall be rounded down to the nearest whole share. In the event that Holder elects to convert only a portion of the Outstanding Balance into Shares, Holder shall deliver to Maker a written acknowledgement of partial payment.

12. Prepayment. The Maker may, upon thirty (30) days prior written notice to Holder, prepay any part of or the entire balance of this Note without penalty.

13. Mandatory Prepayment. In the event that:

(a) The net proceeds actually received by Maker from (i) sales of Maker's securities (other than to Holder or its affiliates) and (ii) litigation awards, exceeds \$1,000,000 during the term of this Note; or

(b) Maker has current cash on hand in excess of \$2,000,000.00 for a period exceeding 30 days, then an amount equal to fifty percent of such proceeds or cash shall be paid by the Maker to the Holder as a mandatory prepayment.

14. Controlling Law. This Note shall be governed by and construed in accordance with the laws of the State of Louisiana (other than its conflict of laws principles) and the provisions of applicable federal law.

15. Shareholder Status. Nothing contained in this Note shall be construed as conferring upon the Holder the right to vote, or to receive dividends, or to consent or to receive notice as a shareholder in respect of any meeting of shareholders for the election of directors of the Maker or of any other matter, or any rights whatsoever as a shareholder of the Maker prior to conversion hereof.

16. Notices. Any notice required or permitted under this Note shall be in writing and shall be deemed to have been given on the date of delivery, if personally delivered or delivered by courier, overnight express or other method of verified delivery, to the party to whom notice is to be given, and addressed to the addressee at the address of the addressee set forth herein, or the most recent address, specified by written notice, given to the sender pursuant to this paragraph.

17. Captions. The captions of the sections of this Note are for the purpose of convenience only and are not intended to be a part of this Note and shall not be deemed to modify, explain, enlarge or restrict any of the provisions hereof.

18. Remedies Not Exclusive. The remedies provided in this Note and the Security Agreement or otherwise available to Holder for enforcing the payment of the principal sum together with interest and the performance of the covenants, conditions and agreements herein and therein contained are cumulative and concurrent and may be pursued singly or successively or together at the sole discretion of Holder, and may be exercised from time to time as often as occasion therefore shall occur until Holder has been paid all sums due in full.

19. Severability. The terms and provisions of this Note are severable. In the event of the unenforceability or invalidity of any one or more of the terms, covenants, conditions or provisions of this Note under federal, state or other applicable law, such unenforceability or invalidity shall not render any other term, covenant, condition or provision hereunder unenforceable or invalid. In the event any waiver by Maker hereunder is prohibited by law, such waiver shall be and be deemed to be deleted herefrom.

20. Integration. This Note, together with the Loan and Refinancing Agreement between

Maker and Holder, dated as of even date herewith, the Security Agreement, and the Amended and Restated Intercreditor Agreement between Maker, Holder, Oak Harbor and Vey dated as of even date herewith (collectively, the "Loan Documents") express the entire agreement between the Maker and Holder concerning the subject matter hereof and no modification of the Loan Documents shall be effective unless expressed in a mutually signed writing. None of Holder's rights, powers, privileges or immunities under this Note can be waived unless (and then only to the extent that) such waiver is expressed in a writing signed by Holder.

21. Successors and Assigns. This Note shall be binding upon the Maker, its successors and assigns, and shall inure to the benefit of Holder, his heirs and assigns.

22. Time of Essence. Subject to the provisions hereof, time is of the essence of each and every provision of this Note.

23. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the making of any payment, the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or a legal holiday, then such payment may be made, such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

24. Loss, Theft, Destruction or Mutilation of Note. Maker covenants that upon receipt by the Maker of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and in case of loss, theft or destruction, of indemnity reasonably satisfactory to it (which shall not include the posting of any bond), and upon surrender and cancellation of such Note if mutilated, the Maker will make and deliver a new Note in the same form and dated as of the date hereof, in lieu of such Note.

25. WAIVER OF JURY TRIAL.

MAKER AND HOLDER ACKNOWLEDGE AND AGREE THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS NOTE OR WITH RESPECT TO THE TRANSACTION CONTEMPLATED HEREBY WOULD BE BASED UPON DIFFICULT AND COMPLEX ISSUES AND, THEREFORE, THE PARTIES AGREE THAT ANY LAWSUIT ARISING OUT OF ANY SUCH CONTROVERSY SHALL BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY. ACCORDINGLY, MAKER AND HOLDER IRREVOCABLY WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT EITHER PARTY MAY NOW OR HEREAFTER HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR IN CONNECTION WITH THIS NOTE OR ANY OF THE LOAN DOCUMENTS.

26. JURISDICTION AND VENUE.

MAKER HEREBY AGREES THAT ALL ACTIONS OR PROCEEDINGS INITIATED BY MAKER AND ARISING DIRECTLY OR INDIRECTLY OUT OF THE LOAN DOCUMENTS SHALL BE LITIGATED IN THE COURTS OF THE STATE OF LOUISIANA, OR THE

UNITED STATES DISTRICT COURT IN LOUISIANA, OR IN ANY OTHER COURT IN WHICH HOLDER SHALL INITIATE SUCH ACTION, TO THE EXTENT SUCH COURT HAS JURISDICTION. MAKER HEREBY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED BY HOLDER IN ANY OF SUCH COURTS AND HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT, OR OTHER PROCESS OR PAPERS ISSUED THEREIN, AND AGREES THAT SERVICE OF SUCH SUMMONS AND COMPLAINT OR OTHER PROCESS OR PAPERS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO THE MAKER AT THE ADDRESS TO WHICH NOTICES ARE TO BE SENT PURSUANT TO THIS NOTE. MAKER WAIVES ANY CLAIM THAT LOUISIANA IS AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE. SHOULD MAKER, AFTER BEING SO SERVED, FAIL TO APPEAR OR ANSWER TO ANY SUMMONS, COMPLAINT, PROCESS OR PAPERS SO SERVED WITHIN THE NUMBER OF DAYS PRESCRIBED BY LAW AFTER THE MAILING THEREOF, MAKER SHALL BE DEEMED IN DEFAULT AND AN ORDER AND/OR JUDGMENT MAY BE ENTERED BY HOLDER AGAINST MAKER AS DEMANDED OR PRAYED.

**IN WITNESS WHEREOF** and intending to be legally bound hereby, Maker has duly executed this Note as of this the 31st day of December, 2008.

Maker's Address:  
1003 West Ninth Avenue, 2<sup>nd</sup> floor  
King of Prussia, PA 19406

**Maker:**  
**SEDONA CORPORATION**

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By: Scott Edelman  
Chief Executive Officer

Page 16 of 27

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**EXHIBIT A**  
**NOTICE OF EXERCISE**

**TO: SEDONA CORPORATION**

(1) The undersigned hereby elects to purchase \_\_\_\_\_ shares of Common Stock (the "Common Stock"), of SEDONA CORPORATION pursuant to the terms of the attached Secured Convertible Note dated December \_\_\_\_, 2008 between Sedona Corporation, as Maker, and Vey Associates, Inc., as Holder (the "Note") and tenders herewith **[the original Note] [an acknowledgement of partial payment of the Note]** together with all applicable transfer taxes.

Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below:

## Consolidated Note

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR ANY APPLICABLE STATE SECURITIES LAWS. IT MAY NOT BE CONVERTED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.**

**SECURED RESTATED AND CONSOLIDATED AND CONVERTIBLE NOTE****\$4,100,000**

King of Prussia, Pennsylvania

This Consolidated and Restated Convertible Note is executed and delivered under and pursuant to the terms of that certain Loan and Financing Agreement dated as of the date hereof by and among **SEDONA CORPORATION**, a Pennsylvania corporation, and **DAVID R. VEY**, with the address of 11822 Justice Avenue Suite B-6, Baton Rouge, Louisiana 70816.

**FOR VALUE RECEIVED**, the undersigned, Maker promises to pay to the order of Holder the principal sum of FOUR MILLION ONE HUNDRED THOUSAND Dollars (\$4,100,000.00), pursuant to the terms of a certain Loan and Refinancing Agreement between Maker and Holder dated as of the date hereof, together with interest thereon at the rate of eight percent (8%) per annum from the date hereof until the earlier of Maturity or the date the Outstanding Balance (as defined herein) shall be paid in full; provided that Holder shall be entitled, at any time that sums due pursuant to this Note are outstanding, to convert the then Outstanding Balance (as defined herein) or part thereof into shares of Common Stock at a price of \$0.05 per share .

27. Definitions. The following definitions are applicable to the words, phrases or terms used in this Note.

- (l) The term "Common Stock" shall mean the Maker's common stock, par value \$0.001 per share.
- (m) The term "Conversion Price" shall mean \$0.05 per share of Common Stock.
- (n) The term "Effective Date" shall refer to December 31, 2008.
- (o) The term "Holder" shall mean and include such owner or holder and all heirs, successors and assigns of any owner or holder of this Note.
- (p) The term "Maker" shall mean and include all makers, co-makers and other parties signing of this Note and their successors and assigns, and the use of the plural

number shall include the singular, and vice versa, and the use of any gender shall include all genders.

(q) The term “Maturity” shall mean the date on which this Note shall be due and payable in full, which date shall be January 4, 2010, unless theretofore converted.

(r) The term “Note” shall refer to this instrument.

(s) The term “Notice of Exercise” shall mean the Notice of Exercise substantially in the form of Exhibit A attached hereto.

(t) The term “Oak Harbor” shall mean Oak Harbor Investment Properties. LLC.

(u) The term “Shares” shall mean all shares of Common Stock or other securities issued or issuable pursuant to the Notice of Exercise.

(v) The term “Vey” shall mean David R. Vey.

28. Consolidation. This Note is a consolidation and restatement of the existing indebtedness of the Maker to the Holder in the aggregate principal sum of Four Million One Hundred Thousand and 00/100 (\$4,100,000.00) Dollars, comprising the total principal due under the certain notes (the “Existing Notes”), after certain amounts of principal and interest have been converted into shares of common stock of Maker and then consolidated as more fully set forth and described in the Loan and Refinancing Agreement. This Note further evidences the Maker’s agreement to pay the consolidated principal sum hereof in the amount of Four Million One Hundred Thousand and 00/100 (\$4,100,000.00) Dollars and interest thereon; and this Note evidences a valid, consolidated indebtedness of Four Million One Hundred Thousand and 00/100 (\$4,100,000.00) Dollars owing by the Maker to the Holder; and the Maker hereby acknowledges and confirms that there are no defenses or offsets to the Existing Notes or to the same as consolidated, modified and extended by the Amended and Restated Loan Agreement or to the indebtedness secured thereby and evidenced this Note. It is further agreed by the Maker that the terms and conditions and provisions of the consolidated indebtedness evidenced hereby shall control and supersede the terms, conditions and provisions set forth in the Existing Notes. This Note is given by the Maker as further evidence of the consolidated principal debt but not in payment, satisfaction or cancellation of the outstanding principal indebtedness evidenced by the prior notes, which indebtedness is now evidenced by this Note.

29. Payment Terms. The Maker shall be obligated to make one payment of all outstanding principal and unpaid interest due thereon at Maturity, unless converted. Unless otherwise designated in writing, mailed or delivered to Maker, the place for payment of the indebtedness evidenced by this Note shall be the Holder’s principal address as noted above. Payments received on this Note shall be applied first to accrued interest, and the balance to principal.

30. Events of Default. The following shall constitute an Event of Default:

(d) In the event Maker shall fail (i) to pay any sums due hereunder when due,

or (ii) to observe or perform any term, condition, covenant, representation or warranty set forth herein, when due or required, or within any period of time permitted thereunder for cure of any such default or non-performance.

(e) In the event Maker fails to pay any invoice or other sum which may be due and payable to Holder, Vey, or Oak Harbor under certain promissory notes issued in their favor by the Maker, when due or required, according to the terms thereunder, unless prior written waiver has been granted to Maker by Holder, Vey, or Oak Harbor.

(f) In the event Maker has received notice of default on any financial obligation of Maker in excess of One Hundred Thousand Dollars (\$100,000.00) which remains uncured for a ten (10) day period.

31. Acceleration of Maturity. Upon the happening of any Event of Default, the Outstanding Balance (as defined herein) shall, at the option of the Holder, become immediately due and payable.

32. Security. The obligation of the Maker pursuant to this Note is secured by a lien and security interest in the collateral of the Maker as specifically set forth in a Security Agreement of even date herewith (the "Security Agreement").

33. Limitation on Interest. In no contingency, whether by reason of acceleration of the Maturity of this Note or otherwise, shall the interest contracted for, charged or received by Holder exceed the maximum amount permissible under applicable law. If, from any circumstance whatsoever, interest would otherwise be payable to Holder in excess of the maximum lawful amount, the interest payable to Holder shall be reduced to the maximum amount permitted under applicable law; and, if from any circumstance the Holder shall ever receive anything of value deemed interest by applicable law in excess of the maximum lawful amount, an amount equal to any excessive interest shall be applied to the reduction of the principal of this Note and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of the Note such excess shall be refunded to Maker. All interest paid or agreed to be paid to Holder shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full period until payment in full of the principal of the Note (including the period of any renewal or extension thereof) so that interest thereon for such full period shall not exceed the maximum amount permitted by applicable law.

34. Remedies; Nonwaiver. Failure of Holder to exercise any right or remedy available to Holder upon the occurrence of an Event of Default hereunder shall not constitute a waiver on the part of Holder of the right to exercise any such right or remedy for that Event of Default or any subsequent Event of Default. The exercise of any remedy by Holder shall not constitute an election of any such remedy to the exclusion of any other remedies afforded Holder at law or in equity, all such remedies being nonexclusive and cumulative. If an Event of Default occurs under this Note and this Note is referred to an attorney at law for collection, Maker agrees to pay all costs incurred by Holder incident to collection up to a limit of 10% of the unpaid principal balance, including but not limited to reasonable attorney fees, enforceable as a contract of indemnity, plus all court costs.

35. Waivers. The Maker (i) waives presentment, protest and demand, (ii) waives notice of protest, demand, dishonor and nonpayment of this Note, and (iii) expressly agrees that this Note may be renewed in whole or in part, or any nonpayment hereunder may be extended, or a new note of different form may be substituted for this Note or changes may be made in consideration of the extension of the Maturity date hereof, or any combination thereof, from time to time, but, in any singular event or any combination of such events, Maker will not be released from liability by reason of the occurrence of any such event, nor shall Holder hereof be deemed by the occurrence of any such event to have waived or surrendered, either in whole or in part, any right it otherwise might have.

36. Option to Convert Note into Stock.

(c) Holder shall have the right and option (the "Conversion Right") to convert the unpaid principal balance of this Note or any part thereof, together with all accrued and unpaid interest (the "Outstanding Balance"), into shares of Common Stock. The number of Shares to be delivered on conversion shall be equal to the amount of the then Outstanding Balance divided by the Conversion Price, as adjusted, in compliance with the terms contained in Section 10 hereof.

(d) Maker shall use its best efforts to effectuate a registration statement for all Shares that may be issued under this Note within 120 days of the Effective Date.

37. Anti-Dilution.

(a) The Conversion Price shall be protected by the anti-dilution provisions set forth in this Section 10, provided that such anti-dilution shall not apply with respect to: (a) Maker's grant of restricted stock to employees or directors (whether granted prior to or after the Effective Date) pursuant to the terms and conditions of the Maker's 2000 Incentive Stock Option Plan; (b) Maker's grant of stock options to employees or directors or the exercise of stock options (whether granted prior to or after the Effective Date) by current, future, or past employee's or directors of the Maker; (c) the issuance of shares for a consideration greater than the Conversion Price in effect on the date of, and immediately prior to, such issuance, or (d) an issuance of shares for which the Holder gives a written waiver of such adjustment.

(b) Except as otherwise provided in this Section, in the event that the Maker shall, at any time after the Effective Date, issue or sell any shares of Common Stock, including shares held in the Maker's treasury and shares issued upon the exercise of any options, rights or warrants to subscribe for shares of Common Stock and Common Stock issued upon the direct or indirect conversion or exchange of securities for Shares, (i) for consideration per share less than the Conversion Price in effect immediately prior to such issuance or sale, or (ii) without consideration, then forthwith upon such issuance or sale, the Conversion Price (until another such issuance or sale) shall be reduced (the "Adjusted Conversion Price") to the price (calculated to the nearest full cent) determined by multiplying the Conversion Price in effect immediately prior to such issuance or sale by a fraction, the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding immediately prior to such issuance or sale

multiplied by the Conversion Price immediately prior to such issuance or sale, plus (2) the consideration received by the Maker upon such issuance or sale, and the denominator of which shall be the product of (x) the total number of shares of Common Stock outstanding immediately after such issuance or sale, multiplied by (y) the Conversion Price, immediately prior to such issuance or sale; provided, however, that in no event shall the Adjusted Conversion Price exceed the Conversion Price in effect immediately prior to such computation, except in the case of a combination of outstanding shares of Common Stock, as provided by Section 10(e) hereof. In no event shall the Conversion Price be increased.

(c) For the purposes of any computation to be made in accordance with this Section, 10 the following shall be applicable:

(i) In the case of issuance or sale of shares of Common Stock for a consideration part or all of which shall be cash, the amount of the cash consideration therefore shall be deemed to be the amount of cash received by the Maker for such shares (or, if shares of Common Stock are offered by the Maker for subscription, the subscription price, or, if such securities shall be sold to underwriters or dealers for public offering without subscription offering, the public offering price) before deducting therefrom any compensation paid or discount allowed in the sale, underwriting or purchase thereof by underwriters or dealers or others performing similar services, or any expenses incurred in connection therewith.

(ii) In the case of the issuance or sale (otherwise than as a dividend or other distribution on any stock of the Maker) of shares of Common Stock for a consideration part or all of which shall be other than cash, the amount of the consideration therefor other than cash shall be deemed to be the fair market value of such consideration as determined in good faith by the Board of Directors of the Maker.

(iii) Shares of Common Stock issuable by way of dividend or other distribution on any stock of the Maker shall be deemed to have been issued immediately after the opening of business on the day following the record date for the determination of shareholders entitled to receive such dividend or other distribution and shall be deemed to have been issued without consideration.

(iv) The reclassification of securities of the Maker other than shares of Common Stock into securities including shares of Common Stock shall be deemed to involve the issuance of such shares of Common Stock for a consideration other than cash immediately prior to the close of business on the date fixed for the determination of security holders entitled to receive such shares, and the value of the consideration allocable to such shares of Common Stock shall be determined as provided in subsection (ii) above.

(v) The number of shares of Common Stock at any one time outstanding shall include the aggregate number of shares issued or issuable upon the exercise of options, warrants or rights and upon the conversion or exchange of convertible or exchangeable securities.

(d) In case the Maker shall, at any time after the Effective Date, subdivide Common Stock, the Conversion Price shall forthwith be proportionately decreased.

(e) The Maker will, at all times, reserve and keep available out of its authorized Common Stock or its treasury shares, solely for the purpose of issue upon the conversion of this Note as herein provided, such number of shares of Common Stock as shall then be issuable upon the conversion of this Note.

38. Mechanics of Conversion. Before the Holder shall be entitled to convert this Note into Shares, the Holder shall surrender this Note, duly endorsed, at the office of the Maker, and shall give written Notice of Exercise (the "Notice of Conversion") to the Maker at its principal corporate office of the election to convert the same and shall state therein the name or names in which the certificate or certificates for the Shares are to be issued. The form of Notice of Conversion is attached hereto as Exhibit A. The Maker shall, promptly after receipt of the Notice of Conversion, issue and deliver to such persons at the address specified by the Holder, a certificate or certificates for the Shares to which the Holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of surrender of this Note, and the persons entitled to receive the Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Shares as of such date. No fractional shares shall be issued upon conversion of this Note and the number of Shares to be issued shall be rounded down to the nearest whole share. In the event that Holder elects to convert only a portion of the Outstanding Balance into Shares, Holder shall deliver to Maker a written acknowledgement of partial payment.

39. Prepayment. The Maker may, upon thirty (30) days prior written notice to Holder, prepay any part of or the entire balance of this Note without penalty.

40. Mandatory Prepayment. In the event that:

(c) The net proceeds actually received by Maker from (i) sales of Maker's securities (other than to Holder or its affiliates) and (ii) litigation awards, exceeds \$1,000,000 during the term of this Note; or

(d) Maker has current cash on hand in excess of \$2,000,000.00 for a period exceeding 30 days,

then an amount equal to fifty percent of such proceeds or cash shall be paid by the Maker to the Holder as a mandatory prepayment.

41. Controlling Law. This Note shall be governed by and construed in accordance with the laws of the State of Louisiana (other than its conflict of laws principles) and the provisions of applicable federal law.

42. Shareholder Status. Nothing contained in this Note shall be construed as conferring upon the Holder the right to vote, or to receive dividends, or to consent or to receive notice as a shareholder in respect of any meeting of shareholders for the election of directors of the Maker or of any other matter, or any rights whatsoever as a shareholder of the Maker prior to conversion hereof.

43. Notices. Any notice required or permitted under this Note shall be in writing and

shall be deemed to have been given on the date of delivery, if personally delivered or delivered by courier, overnight express or other method of verified delivery, to the party to whom notice is to be given, and addressed to the addressee at the address of the addressee set forth herein, or the most recent address, specified by written notice, given to the sender pursuant to this paragraph.

44. Captions. The captions of the sections of this Note are for the purpose of convenience only and are not intended to be a part of this Note and shall not be deemed to modify, explain, enlarge or restrict any of the provisions hereof.

45. Remedies Not Exclusive. The remedies provided in this Note and the Security Agreement or otherwise available to Holder for enforcing the payment of the principal sum together with interest and the performance of the covenants, conditions and agreements herein and therein contained are cumulative and concurrent and may be pursued singly or successively or together at the sole discretion of Holder, and may be exercised from time to time as often as occasion therefore shall occur until Holder has been paid all sums due in full.

46. Severability. The terms and provisions of this Note are severable. In the event of the unenforceability or invalidity of any one or more of the terms, covenants, conditions or provisions of this Note under federal, state or other applicable law, such unenforceability or invalidity shall not render any other term, covenant, condition or provision hereunder unenforceable or invalid. In the event any waiver by Maker hereunder is prohibited by law, such waiver shall be and be deemed to be deleted herefrom.

47. Integration. This Note, together with the Loan and Refinancing Agreement between Maker and Holder, dated as of even date herewith, the Security Agreement, and the Amended and Restated Intercreditor Agreement between Maker, Holder, Oak Harbor and Vey Associates Incorporated dated as of even date herewith (collectively, the "Loan Documents") express the entire agreement between the Maker and Holder concerning the subject matter hereof and no modification of the Loan Documents shall be effective unless expressed in a mutually signed writing. None of Holder's rights, powers, privileges or immunities under this Note can be waived unless (and then only to the extent that) such waiver is expressed in a writing signed by Holder.

48. Successors and Assigns. This Note shall be binding upon the Maker, its successors and assigns, and shall inure to the benefit of Holder, his heirs and assigns.

49. Time of Essence. Subject to the provisions hereof, time is of the essence of each and every provision of this Note.

50. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the making of any payment, the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or a legal holiday, then such payment may be made, such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

51. Loss, Theft, Destruction or Mutilation of Note. Maker covenants that upon receipt by the Maker of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation

of this Note, and in case of loss, theft or destruction, of indemnity reasonably satisfactory to it (which shall not include the posting of any bond), and upon surrender and cancellation of such Note if mutilated, the Maker will make and deliver a new Note in the same form and dated as of the date hereof, in lieu of such Note.

52. WAIVER OF JURY TRIAL.

MAKER AND HOLDER ACKNOWLEDGE AND AGREE THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS NOTE OR WITH RESPECT TO THE TRANSACTION CONTEMPLATED HEREBY WOULD BE BASED UPON DIFFICULT AND COMPLEX ISSUES AND, THEREFORE, THE PARTIES AGREE THAT ANY LAWSUIT ARISING OUT OF ANY SUCH CONTROVERSY SHALL BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY. ACCORDINGLY, MAKER AND HOLDER IRREVOCABLY WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT EITHER PARTY MAY NOW OR HEREAFTER HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR IN CONNECTION WITH THIS NOTE OR ANY OF THE LOAN DOCUMENTS.

53. JURISDICTION AND VENUE.

MAKER HEREBY AGREES THAT ALL ACTIONS OR PROCEEDINGS INITIATED BY MAKER AND ARISING DIRECTLY OR INDIRECTLY OUT OF THE LOAN DOCUMENTS SHALL BE LITIGATED IN THE COURTS OF THE STATE OF LOUISIANA, OR THE UNITED STATES DISTRICT COURT IN LOUISIANA, OR IN ANY OTHER COURT IN WHICH HOLDER SHALL INITIATE SUCH ACTION, TO THE EXTENT SUCH COURT HAS JURISDICTION. MAKER HEREBY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED BY HOLDER IN ANY OF SUCH COURTS AND HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT, OR OTHER PROCESS OR PAPERS ISSUED THEREIN, AND AGREES THAT SERVICE OF SUCH SUMMONS AND COMPLAINT OR OTHER PROCESS OR PAPERS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO THE MAKER AT THE ADDRESS TO WHICH NOTICES ARE TO BE SENT PURSUANT TO THIS NOTE. MAKER WAIVES ANY CLAIM THAT LOUISIANA IS AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE. SHOULD MAKER, AFTER BEING SO SERVED, FAIL TO APPEAR OR ANSWER TO ANY SUMMONS, COMPLAINT, PROCESS OR PAPERS SO SERVED WITHIN THE NUMBER OF DAYS PRESCRIBED BY LAW AFTER THE MAILING THEREOF, MAKER SHALL BE DEEMED IN DEFAULT AND AN ORDER AND/OR JUDGMENT MAY BE ENTERED BY HOLDER AGAINST MAKER AS DEMANDED OR PRAYED.

**IN WITNESS WHEREOF** and intending to be legally bound hereby, Maker has duly executed this Note as of this the \_\_\_th day of December, 2008.

Maker's Address:

1003 West Ninth Avenue, 2<sup>nd</sup> floor  
King of Prussia, PA 19406

**Maker:**

**SEDONA CORPORATION**

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By: Scott Edelman  
Chief Executive Officer

Page 26 of 27

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**EXHIBIT A**  
**NOTICE OF EXERCISE**

**TO: SEDONA CORPORATION**

(1) The undersigned hereby elects to purchase \_\_\_\_\_ shares of Common Stock (the "Common Stock"), of SEDONA CORPORATION pursuant to the terms of the attached Secured Convertible Note dated December \_\_\_\_, 2008 between Sedona Corporation, as Maker, and David R. Vey, as Holder (the "Note") and tenders herewith **[the original Note] [an acknowledgement of partial payment of the Note]** together with all applicable transfer taxes.

Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below:

Page 27 of 27

EXHIBIT 10.114

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR ANY APPLICABLE STATE SECURITIES LAWS. IT MAY NOT BE CONVERTED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.**

**SECURED RESTATED AND CONSOLIDATED AND CONVERTIBLE NOTE**

**\$4,100,000**

King of Prussia, Pennsylvania

This Consolidated and Restated Convertible Note is executed and delivered under and pursuant to the terms of that certain Loan and Financing Agreement dated as of the date hereof by and among **SEDONA CORPORATION**, a Pennsylvania corporation, and **DAVID R. VEY**, with the address of 11822 Justice Avenue Suite B-6, Baton Rouge, Louisiana 70816.

**FOR VALUE RECEIVED**, the undersigned, Maker promises to pay to the order of Holder the principal sum of FOUR MILLION ONE HUNDRED THOUSAND Dollars (\$4,100,000.00), pursuant to the terms of a certain Loan and Refinancing Agreement between Maker and Holder dated as of the date hereof, together with interest thereon at the rate of eight percent (8%) per annum from the date hereof until the earlier of Maturity or the date the Outstanding Balance (as defined herein) shall be paid in full; provided that Holder shall be entitled, at any time that sums due pursuant to this Note are outstanding, to convert the then Outstanding Balance (as defined herein) or part thereof into shares of Common Stock at a price of \$0.05 per share .

1. Definitions. The following definitions are applicable to the words, phrases or terms used in this Note.

(a) The term "Common Stock" shall mean the Maker's common stock, par value \$0.001 per share.

(b) The term "Conversion Price" shall mean \$0.05 per share of Common Stock.

(c) The term "Effective Date" shall refer to December 31, 2008.

(d) The term "Holder" shall mean and include such owner or holder and all heirs, successors and assigns of any owner or holder of this Note.

(e) The term "Maker" shall mean and include all makers, co-makers and other parties signing of this Note and their successors and assigns, and the use of the plural number shall include the singular, and vice versa, and the use of any gender shall include all genders.

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(f) The term “Maturity” shall mean the date on which this Note shall be due and payable in full, which date shall be January 4, 2010, unless theretofore converted.

(g) The term “Note” shall refer to this instrument.

(h) The term “Notice of Exercise” shall mean the Notice of Exercise substantially in the form of Exhibit A attached hereto.

(i) The term “Oak Harbor” shall mean Oak Harbor Investment Properties. LLC.

(j) The term “Shares” shall mean all shares of Common Stock or other securities issued or issuable pursuant to the Notice of Exercise.

(k) The term “Vey” shall mean David R. Vey.

2. Consolidation. This Note is a consolidation and restatement of the existing indebtedness of the Maker to the Holder in the aggregate principal sum of Four Million One Hundred Thousand and 00/100 (\$4,100,000.00) Dollars, comprising the total principal due under the certain notes (the “Existing Notes”), after certain amounts of principal and interest have been converted into shares of common stock of Maker and then consolidated as more fully set forth and described in the Loan and Refinancing Agreement. This Note further evidences the Maker’s agreement to pay the consolidated principal sum hereof in the amount of Four Million One Hundred Thousand and 00/100 (\$4,100,000.00) Dollars and interest thereon; and this Note evidences a valid, consolidated indebtedness of Four Million One Hundred Thousand and 00/100 (\$4,100,000.00) Dollars owing by the Maker to the Holder; and the Maker hereby acknowledges and confirms that there are no defenses or offsets to the Existing Notes or to the same as consolidated, modified and extended by the Amended and Restated Loan Agreement or to the indebtedness secured thereby and evidenced this Note. It is further agreed by the Maker that the terms and conditions and provisions of the consolidated indebtedness evidenced hereby shall control and supersede the terms, conditions and provisions set forth in the Existing Notes. This Note is given by the Maker as further evidence of the consolidated principal debt but not in payment, satisfaction or cancellation of the outstanding principal indebtedness evidenced by the prior notes, which indebtedness is now evidenced by this Note.

3. Payment Terms. The Maker shall be obligated to make one payment of all outstanding principal and unpaid interest due thereon at Maturity, unless converted. Unless otherwise designated in writing, mailed or delivered to Maker, the place for payment of the indebtedness evidenced by this Note shall be the Holder’s principal address as noted above. Payments received on this Note shall be applied first to accrued interest, and the balance to principal.

4. Events of Default. The following shall constitute an Event of Default:

(a) In the event Maker shall fail (i) to pay any sums due hereunder when due, or (ii) to observe or perform any term, condition, covenant, representation or warranty set forth herein, when due or required, or within any period of time permitted thereunder for cure of any such default or non-performance.

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(b) In the event Maker fails to pay any invoice or other sum which may be due and payable to Holder, Vey, or Oak Harbor under certain promissory notes issued in their favor by the Maker, when due or required, according to the terms thereunder, unless prior written waiver has been granted to Maker by Holder, Vey, or Oak Harbor.

(c) In the event Maker has received notice of default on any financial obligation of Maker in excess of One Hundred Thousand Dollars (\$100,000.00) which remains uncured for a ten (10) day period.

5. Acceleration of Maturity. Upon the happening of any Event of Default, the Outstanding Balance (as defined herein) shall, at the option of the Holder, become immediately due and payable.

6. Security. The obligation of the Maker pursuant to this Note is secured by a lien and security interest in the collateral of the Maker as specifically set forth in a Security Agreement of even date herewith (the "Security Agreement").

7. Limitation on Interest. In no contingency, whether by reason of acceleration of the Maturity of this Note or otherwise, shall the interest contracted for, charged or received by Holder exceed the maximum amount permissible under applicable law. If, from any circumstance whatsoever, interest would otherwise be payable to Holder in excess of the maximum lawful amount, the interest payable to Holder shall be reduced to the maximum amount permitted under applicable law; and, if from any circumstance the Holder shall ever receive anything of value deemed interest by applicable law in excess of the maximum lawful amount, an amount equal to any excessive interest shall be applied to the reduction of the principal of this Note and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of the Note such excess shall be refunded to Maker. All interest paid or agreed to be paid to Holder shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full period until payment in full of the principal of the Note (including the period of any renewal or extension thereof) so that interest thereon for such full period shall not exceed the maximum amount permitted by applicable law.

8. Remedies; Nonwaiver. Failure of Holder to exercise any right or remedy available to Holder upon the occurrence of an Event of Default hereunder shall not constitute a waiver on the part of Holder of the right to exercise any such right or remedy for that Event of Default or any subsequent Event of Default. The exercise of any remedy by Holder shall not constitute an election of any such remedy to the exclusion of any other remedies afforded Holder at law or in equity, all such remedies being nonexclusive and cumulative. If an Event of Default occurs under this Note and this Note is referred to an attorney at law for collection, Maker agrees to pay all costs incurred by Holder incident to collection up to a limit of 10% of the unpaid principal balance, including but not limited to reasonable attorney fees, enforceable as a contract of indemnity, plus all court costs.

9. Waivers. The Maker (i) waives presentment, protest and demand, (ii) waives notice

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of protest, demand, dishonor and nonpayment of this Note, and (iii) expressly agrees that this Note may be renewed in whole or in part, or any nonpayment hereunder may be extended, or a new note of different form may be substituted for this Note or changes may be made in consideration of the extension of the Maturity date hereof, or any combination thereof, from time to time, but, in any singular event or any combination of such events, Maker will not be released from liability by reason of the occurrence of any such event, nor shall Holder hereof be deemed by the occurrence of any such event to have waived or surrendered, either in whole or in part, any right it otherwise might have.

#### 10. Option to Convert Note into Stock.

(a) Holder shall have the right and option (the "Conversion Right") to convert the unpaid principal balance of this Note or any part thereof, together with all accrued and unpaid interest (the "Outstanding Balance"), into shares of Common Stock. The number of Shares to be delivered on conversion shall be equal to the amount of the then Outstanding Balance divided by the Conversion Price, as adjusted, in compliance with the terms contained in Section 10 hereof.

(b) Maker shall use its best efforts to effectuate a registration statement for all Shares that may be issued under this Note within 120 days of the Effective Date.

#### 11. Anti-Dilution.

(a) The Conversion Price shall be protected by the anti-dilution provisions set forth in this Section 10, provided that such anti-dilution shall not apply with respect to: (a) Maker's grant of restricted stock to employees or directors (whether granted prior to or after the Effective Date) pursuant to the terms and conditions of the Maker's 2000 Incentive Stock Option Plan; (b) Maker's grant of stock options to employees or directors or the exercise of stock options (whether granted prior to or after the Effective Date) by current, future, or past employee's or directors of the Maker; (c) the issuance of shares for a consideration greater than the Conversion Price in effect on the date of, and immediately prior to, such issuance, or (d) an issuance of shares for which the Holder gives a written waiver of such adjustment.

(b) Except as otherwise provided in this Section, in the event that the Maker shall, at any time after the Effective Date, issue or sell any shares of Common Stock, including shares held in the Maker's treasury and shares issued upon the exercise of any options, rights or warrants to subscribe for shares of Common Stock and Common Stock issued upon the direct or indirect conversion or exchange of securities for Shares, (i) for consideration per share less than the Conversion Price in effect immediately prior to such issuance or sale, or (ii) without consideration, then forthwith upon such issuance or sale, the Conversion Price (until another such issuance or sale) shall be reduced (the "Adjusted Conversion Price") to the price (calculated to the nearest full cent) determined by multiplying the Conversion Price in effect immediately prior to such issuance or sale by a fraction, the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding immediately prior to such issuance or sale multiplied by the Conversion Price immediately prior to such issuance or sale, plus (2) the consideration received by the Maker upon such issuance or sale, and the denominator of which shall be the product of (x) the total number of shares of Common Stock outstanding immediately after such issuance or sale, multiplied by (y) the Conversion Price,

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immediately prior to such issuance or sale; provided, however, that in no event shall the Adjusted Conversion Price exceed the Conversion Price in effect immediately prior to such computation, except in the case of a combination of outstanding shares of Common Stock, as provided by Section 10(e) hereof. In no event shall the Conversion Price be increased.

(c) For the purposes of any computation to be made in accordance with this Section, 10 the following shall be applicable:

(i) In the case of issuance or sale of shares of Common Stock for a consideration part or all of which shall be cash, the amount of the cash consideration therefore shall be deemed to be the amount of cash received by the Maker for such shares (or, if shares of Common Stock are offered by the Maker for subscription, the subscription price, or, if such securities shall be sold to underwriters or dealers for public offering without subscription offering, the public offering price) before deducting therefrom any compensation paid or discount allowed in the sale, underwriting or purchase thereof by underwriters or dealers or others performing similar services, or any expenses incurred in connection therewith.

(ii) In the case of the issuance or sale (otherwise than as a dividend or other distribution on any stock of the Maker) of shares of Common Stock for a consideration part or all of which shall be other than cash, the amount of the consideration therefor other than cash shall be deemed to be the fair market value of such consideration as determined in good faith by the Board of Directors of the Maker.

(iii) Shares of Common Stock issuable by way of dividend or other distribution on any stock of the Maker shall be deemed to have been issued immediately after the opening of business on the day following the record date for the determination of shareholders entitled to receive such dividend or other distribution and shall be deemed to have been issued without consideration.

(iv) The reclassification of securities of the Maker other than shares of Common Stock into securities including shares of Common Stock shall be deemed to involve the issuance of such shares of Common Stock for a consideration other than cash immediately prior to the close of business on the date fixed for the determination of security holders entitled to receive such shares, and the value of the consideration allocable to such shares of Common Stock shall be determined as provided in subsection (ii) above.

(v) The number of shares of Common Stock at any one time outstanding shall include the aggregate number of shares issued or issuable upon the exercise of options, warrants or rights and upon the conversion or exchange of convertible or exchangeable securities.

(d) In case the Maker shall, at any time after the Effective Date, subdivide Common Stock, the Conversion Price shall forthwith be proportionately decreased.

(e) The Maker will, at all times, reserve and keep available out of its authorized Common Stock or its treasury shares, solely for the purpose of issue upon the conversion of this Note as herein provided, such number of shares of Common Stock as shall then be issuable upon the conversion of this Note.

12. Mechanics of Conversion. Before the Holder shall be entitled to convert this Note

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into Shares, the Holder shall surrender this Note, duly endorsed, at the office of the Maker, and shall give written Notice of Exercise (the "Notice of Conversion") to the Maker at its principal corporate office of the election to convert the same and shall state therein the name or names in which the certificate or certificates for the Shares are to be issued. The form of Notice of Conversion is attached hereto as Exhibit A. The Maker shall, promptly after receipt of the Notice of Conversion, issue and deliver to such persons at the address specified by the Holder, a certificate or certificates for the Shares to which the Holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of surrender of this Note, and the persons entitled to receive the Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Shares as of such date. No fractional shares shall be issued upon conversion of this Note and the number of Shares to be issued shall be rounded down to the nearest whole share. In the event that Holder elects to convert only a portion of the Outstanding Balance into Shares, Holder shall deliver to Maker a written acknowledgement of partial payment.

13. Prepayment. The Maker may, upon thirty (30) days prior written notice to Holder, prepay any part of or the entire balance of this Note without penalty.

14. Mandatory Prepayment. In the event that:

(a) The net proceeds actually received by Maker from (i) sales of Maker's securities (other than to Holder or its affiliates) and (ii) litigation awards, exceeds \$1,000,000 during the term of this Note; or

(b) Maker has current cash on hand in excess of \$2,000,000.00 for a period exceeding 30 days,

then an amount equal to fifty percent of such proceeds or cash shall be paid by the Maker to the Holder as a mandatory prepayment.

15. Controlling Law. This Note shall be governed by and construed in accordance with the laws of the State of Louisiana (other than its conflict of laws principles) and the provisions of applicable federal law.

16. Shareholder Status. Nothing contained in this Note shall be construed as conferring upon the Holder the right to vote, or to receive dividends, or to consent or to receive notice as a shareholder in respect of any meeting of shareholders for the election of directors of the Maker or of any other matter, or any rights whatsoever as a shareholder of the Maker prior to conversion hereof.

17. Notices. Any notice required or permitted under this Note shall be in writing and shall be deemed to have been given on the date of delivery, if personally delivered or delivered by courier, overnight express or other method of verified delivery, to the party to whom notice is to be given, and addressed to the addressee at the address of the addressee set forth herein, or the most recent address, specified by written notice, given to the sender pursuant to this paragraph.

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18. Captions. The captions of the sections of this Note are for the purpose of convenience only and are not intended to be a part of this Note and shall not be deemed to modify, explain, enlarge or restrict any of the provisions hereof.

19. Remedies Not Exclusive. The remedies provided in this Note and the Security Agreement or otherwise available to Holder for enforcing the payment of the principal sum together with interest and the performance of the covenants, conditions and agreements herein and therein contained are cumulative and concurrent and may be pursued singly or successively or together at the sole discretion of Holder, and may be exercised from time to time as often as occasion therefore shall occur until Holder has been paid all sums due in full.

20. Severability. The terms and provisions of this Note are severable. In the event of the unenforceability or invalidity of any one or more of the terms, covenants, conditions or provisions of this Note under federal, state or other applicable law, such unenforceability or invalidity shall not render any other term, covenant, condition or provision hereunder unenforceable or invalid. In the event any waiver by Maker hereunder is prohibited by law, such waiver shall be and be deemed to be deleted herefrom.

21. Integration. This Note, together with the Loan and Refinancing Agreement between Maker and Holder, dated as of even date herewith, the Security Agreement, and the Amended and Restated Intercreditor Agreement between Maker, Holder, Oak Harbor and Vey Associates Incorporated dated as of even date herewith (collectively, the "Loan Documents") express the entire agreement between the Maker and Holder concerning the subject matter hereof and no modification of the Loan Documents shall be effective unless expressed in a mutually signed writing. None of Holder's rights, powers, privileges or immunities under this Note can be waived unless (and then only to the extent that) such waiver is expressed in a writing signed by Holder.

22. Successors and Assigns. This Note shall be binding upon the Maker, its successors and assigns, and shall inure to the benefit of Holder, his heirs and assigns.

23. Time of Essence. Subject to the provisions hereof, time is of the essence of each and every provision of this Note.

24. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the making of any payment, the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or a legal holiday, then such payment may be made, such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

25. Loss, Theft, Destruction or Mutilation of Note. Maker covenants that upon receipt by the Maker of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and in case of loss, theft or destruction, of indemnity reasonably satisfactory to it (which shall not include the posting of any bond), and upon surrender and cancellation of such Note if mutilated, the Maker will make and deliver a new Note in the same form and dated as of the date hereof, in lieu of such Note.

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26. WAIVER OF JURY TRIAL.

MAKER AND HOLDER ACKNOWLEDGE AND AGREE THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS NOTE OR WITH RESPECT TO THE TRANSACTION CONTEMPLATED HEREBY WOULD BE BASED UPON DIFFICULT AND COMPLEX ISSUES AND, THEREFORE, THE PARTIES AGREE THAT ANY LAWSUIT ARISING OUT OF ANY SUCH CONTROVERSY SHALL BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY. ACCORDINGLY, MAKER AND HOLDER IRREVOCABLY WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT EITHER PARTY MAY NOW OR HEREAFTER HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR IN CONNECTION WITH THIS NOTE OR ANY OF THE LOAN DOCUMENTS.

27. JURISDICTION AND VENUE.

MAKER HEREBY AGREES THAT ALL ACTIONS OR PROCEEDINGS INITIATED BY MAKER AND ARISING DIRECTLY OR INDIRECTLY OUT OF THE LOAN DOCUMENTS SHALL BE LITIGATED IN THE COURTS OF THE STATE OF LOUISIANA, OR THE UNITED STATES DISTRICT COURT IN LOUISIANA, OR IN ANY OTHER COURT IN WHICH HOLDER SHALL INITIATE SUCH ACTION, TO THE EXTENT SUCH COURT HAS JURISDICTION. MAKER HEREBY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED BY HOLDER IN ANY OF SUCH COURTS AND HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT, OR OTHER PROCESS OR PAPERS ISSUED THEREIN, AND AGREES THAT SERVICE OF SUCH SUMMONS AND COMPLAINT OR OTHER PROCESS OR PAPERS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO THE MAKER AT THE ADDRESS TO WHICH NOTICES ARE TO BE SENT PURSUANT TO THIS NOTE. MAKER WAIVES ANY CLAIM THAT LOUISIANA IS AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE. SHOULD MAKER, AFTER BEING SO SERVED, FAIL TO APPEAR OR ANSWER TO ANY SUMMONS, COMPLAINT, PROCESS OR PAPERS SO SERVED WITHIN THE NUMBER OF DAYS PRESCRIBED BY LAW AFTER THE MAILING THEREOF, MAKER SHALL BE DEEMED IN DEFAULT AND AN ORDER AND/OR JUDGMENT MAY BE ENTERED BY HOLDER AGAINST MAKER AS DEMANDED OR PRAYED.

**IN WITNESS WHEREOF** and intending to be legally bound hereby, Maker has duly executed this Note as of this the 31st day of December, 2008.

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Maker's Address:  
1003 West Ninth Avenue, 2<sup>nd</sup> floor  
King of Prussia, PA 19406

**Maker:**  
**SEDONA CORPORATION**

By: /s/ Scott Edelman  
Scott Edelman  
Chief Executive Officer

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**EXHIBIT A**  
**NOTICE OF EXERCISE**

**TO: SEDONA CORPORATION**

(1) The undersigned hereby elects to purchase \_\_\_\_\_ shares of Common Stock (the "Common Stock"), of SEDONA CORPORATION pursuant to the terms of the attached Secured Convertible Note dated December \_\_\_\_, 2008 between Sedona Corporation, as Maker, and David R. Vey, as Holder (the "Note") and tenders herewith **[the original Note] [an acknowledgement of partial payment of the Note]** together with all applicable transfer taxes.

Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below:

EXHIBIT 10.115

**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR ANY APPLICABLE STATE SECURITIES LAWS. IT MAY NOT BE CONVERTED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.**

**SECURED CONVERTIBLE NOTE**

**\$2,250,000**

King of Prussia, Pennsylvania

**FOR VALUE RECEIVED**, the undersigned, **SEDONA CORPORATION**, a Pennsylvania corporation, promises to pay to the order of Vey Associates Incorporated, with the address of 11822 Justice Avenue Suite B-6, Baton Rouge, Louisiana 70816, the principal sum of up to TWO MILLION TWO HUNDRED FIFTY THOUSAND dollars (\$2,250,000.00), or so much thereof as shall have been advanced by the Holder to the Maker and then be outstanding pursuant to the terms of a certain Loan and Refinancing Agreement between Maker and Holder of even date herewith, together with interest thereon at the rate of eight percent (8%) per annum from the date hereof until the earlier of Maturity or the date the outstanding balance (as defined herein) shall be paid in full; provided that Holder shall be entitled, at any time that sums due pursuant to this Note are outstanding, to convert the then Outstanding Balance (as defined herein), or part thereof, into shares of Common Stock at a price of \$0.05 per share .

1. Definitions. The following definitions are applicable to the words, phrases or terms used in this Note.

(a) The term "Common Stock" shall mean the Maker's common stock, par value \$0.001 per share.

(b) The term "Conversion Price" shall mean \$0.05 per share of Common Stock.

(c) The term "Effective Date" shall refer to December 31, 2008.

(d) The term "Holder" shall mean and include such owner or holder and all heirs, successors and assigns of any owner or holder of this Note.

(e) The term "Maker" shall mean and include all makers, co-makers and other parties signing of this Note and their successors and assigns, and the use of the plural number shall include the singular, and vice versa, and the use of any gender shall include all genders.

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(f) The term “Maturity” shall mean the date on which this Note shall be due and payable in full, which date shall be January 4, 2010, unless theretofore converted.

(g) The term “Note” shall refer to this instrument.

(h) The term “Notice of Exercise” shall mean the Notice of Exercise substantially in the form of Exhibit A attached hereto.

(i) The term “Oak Harbor” shall mean Oak Harbor Investment Properties. LLC.

(j) The term “Shares” shall mean all shares of Common Stock or other securities issued or issuable pursuant to the Notice of Exercise.

(k) The term “Vey” shall mean David R. Vey.

2. Payment Terms. The Maker shall be obligated to make one payment of all outstanding principal and unpaid interest due thereon at Maturity, unless converted. Unless otherwise designated in writing, mailed or delivered to Maker, the place for payment of the indebtedness evidenced by this Note shall be the Holder’s principal address as noted above. Payments received on this Note shall be applied first to accrued interest, and the balance to principal.

3. Events of Default. The following shall constitute an Event of Default:

(a) In the event Maker shall fail (i) to pay any sums due hereunder when due, or (ii) to observe or perform any term, condition, covenant, representation or warranty set forth herein, when due or required, or within any period of time permitted thereunder for cure of any such default or non-performance.

(b) In the event Maker fails to pay any invoice or other sum which may be due and payable to Holder, Vey, or Oak Harbor under certain promissory notes issued in their favor by the Maker, when due or required, according to the terms thereunder, unless prior written waiver has been granted to Maker by Holder, Vey, or Oak Harbor.

(c) In the event Maker has received notice of default on any financial obligation of Maker in excess of One Hundred Thousand Dollars (\$100,000.00) which remains uncured for a ten (10) day period.

4. Acceleration of Maturity. Upon the happening of any Event of Default, the Outstanding Balance (as defined herein) shall, at the option of the Holder, become immediately due and payable.

5. Security. The obligation of the Maker pursuant to this Note is secured by a lien and security interest in the collateral of the Maker as specifically set forth in a Security Agreement of even date herewith (the “Security Agreement”).

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6. Limitation on Interest. In no contingency, whether by reason of acceleration of the Maturity of this Note or otherwise, shall the interest contracted for, charged or received by Holder exceed the maximum amount permissible under applicable law. If, from any circumstance whatsoever, interest would otherwise be payable to Holder in excess of the maximum lawful amount, the interest payable to Holder shall be reduced to the maximum amount permitted under applicable law; and, if from any circumstance the Holder shall ever receive anything of value deemed interest by applicable law in excess of the maximum lawful amount, an amount equal to any excessive interest shall be applied to the reduction of the principal of this Note and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal of the Note such excess shall be refunded to Maker. All interest paid or agreed to be paid to Holder shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full period until payment in full of the principal of the Note (including the period of any renewal or extension thereof) so that interest thereon for such full period shall not exceed the maximum amount permitted by applicable law.

7. Remedies: Nonwaiver. Failure of Holder to exercise any right or remedy available to Holder upon the occurrence of an Event of Default hereunder shall not constitute a waiver on the part of Holder of the right to exercise any such right or remedy for that Event of Default or any subsequent Event of Default. The exercise of any remedy by Holder shall not constitute an election of any such remedy to the exclusion of any other remedies afforded Holder at law or in equity, all such remedies being nonexclusive and cumulative. If an Event of Default occurs under this Note and this Note is referred to an attorney at law for collection, Maker agrees to pay all costs incurred by Holder incident to collection up to a limit of 10% of the unpaid principal balance, including but not limited to reasonable attorney fees, enforceable as a contract of indemnity, plus all court costs.

8. Waivers. The Maker (i) waives presentment, protest and demand, (ii) waives notice of protest, demand, dishonor and nonpayment of this Note, and (iii) expressly agrees that this Note may be renewed in whole or in part, or any nonpayment hereunder may be extended, or a new note of different form may be substituted for this Note or changes may be made in consideration of the extension of the Maturity date hereof, or any combination thereof, from time to time, but, in any singular event or any combination of such events, Maker will not be released from liability by reason of the occurrence of any such event, nor shall Holder hereof be deemed by the occurrence of any such event to have waived or surrendered, either in whole or in part, any right it otherwise might have.

9. Option to Convert Note into Stock.

(a) Holder shall have the right and option (the "Conversion Right") to convert the unpaid principal balance of this Note or any part thereof, together with all accrued and unpaid interest (the "Outstanding Balance"), into shares of Common Stock. The number of Shares to be delivered on conversion shall be equal to the amount of the then Outstanding Balance divided by the Conversion Price, as adjusted, in compliance with the terms contained in Section 10 hereof.

(b) Maker shall use its best efforts to effectuate a registration statement for all Shares that may be issued under this Note within 120 days of the Effective Date.

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## 10. Anti-Dilution.

(a) The Conversion Price shall be protected by the anti-dilution provisions set forth in this Section 10, provided that such anti-dilution shall not apply with respect to: (a) Maker's grant of restricted stock to employees or directors (whether granted prior to or after the Effective Date) pursuant to the terms and conditions of the Maker's 2000 Incentive Stock Option Plan; (b) Maker's grant of stock options to employees or directors or the exercise of stock options (whether granted prior to or after the Effective Date) by current, future, or past employee's or directors of the Maker; (c) the issuance of shares for a consideration greater than the Conversion Price in effect on the date of, and immediately prior to, such issuance, or (d) an issuance of shares for which the Holder gives a written waiver of such adjustment.

(b) Except as otherwise provided in this Section, in the event that the Maker shall, at any time after the Effective Date, issue or sell any shares of Common Stock, including shares held in the Maker's treasury and shares issued upon the exercise of any options, rights or warrants to subscribe for shares of Common Stock and Common Stock issued upon the direct or indirect conversion or exchange of securities for Shares, (i) for consideration per share less than the Conversion Price in effect immediately prior to such issuance or sale, or (ii) without consideration, then forthwith upon such issuance or sale, the Conversion Price (until another such issuance or sale) shall be reduced (the "Adjusted Conversion Price") to the price (calculated to the nearest full cent) determined by multiplying the Conversion Price in effect immediately prior to such issuance or sale by a fraction, the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding immediately prior to such issuance or sale multiplied by the Conversion Price immediately prior to such issuance or sale, plus (2) the consideration received by the Maker upon such issuance or sale, and the denominator of which shall be the product of (x) the total number of shares of Common Stock outstanding immediately after such issuance or sale, multiplied by (y) the Conversion Price, immediately prior to such issuance or sale; provided, however, that in no event shall the Adjusted Conversion Price exceed the Conversion Price in effect immediately prior to such computation, except in the case of a combination of outstanding shares of Common Stock, as provided by Section 10(e) hereof. In no event shall the Conversion Price be increased.

(c) For the purposes of any computation to be made in accordance with this Section, 10 the following shall be applicable:

(i) In the case of issuance or sale of shares of Common Stock for a consideration part or all of which shall be cash, the amount of the cash consideration therefore shall be deemed to be the amount of cash received by the Maker for such shares (or, if shares of Common Stock are offered by the Maker for subscription, the subscription price, or, if such securities shall be sold to underwriters or dealers for public offering without subscription offering, the public offering price) before deducting therefrom any compensation paid or discount allowed in the sale, underwriting or purchase thereof by underwriters or dealers or others performing similar services, or any expenses incurred in connection therewith.

(ii) In the case of the issuance or sale (otherwise than as a dividend or other distribution on any stock of the Maker) of shares of Common Stock for a consideration part or all

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of which shall be other than cash, the amount of the consideration therefor other than cash shall be deemed to be the fair market value of such consideration as determined in good faith by the Board of Directors of the Maker.

(iii) Shares of Common Stock issuable by way of dividend or other distribution on any stock of the Maker shall be deemed to have been issued immediately after the opening of business on the day following the record date for the determination of shareholders entitled to receive such dividend or other distribution and shall be deemed to have been issued without consideration.

(iv) The reclassification of securities of the Maker other than shares of Common Stock into securities including shares of Common Stock shall be deemed to involve the issuance of such shares of Common Stock for a consideration other than cash immediately prior to the close of business on the date fixed for the determination of security holders entitled to receive such shares, and the value of the consideration allocable to such shares of Common Stock shall be determined as provided in subsection (ii) above.

(v) The number of shares of Common Stock at any one time outstanding shall include the aggregate number of shares issued or issuable upon the exercise of options, warrants or rights and upon the conversion or exchange of convertible or exchangeable securities.

(d) In case the Maker shall, at any time after the Effective Date, subdivide Common Stock, the Conversion Price shall forthwith be proportionately decreased.

(e) The Maker will, at all times, reserve and keep available out of its authorized Common Stock or its treasury shares, solely for the purpose of issue upon the conversion of this Note as herein provided, such number of shares of Common Stock as shall then be issuable upon the conversion of this Note.

11. Mechanics of Conversion. Before the Holder shall be entitled to convert this Note into Shares, the Holder shall surrender this Note, duly endorsed, at the office of the Maker, and shall give written Notice of Exercise (the "Notice of Conversion") to the Maker at its principal corporate office of the election to convert the same and shall state therein the name or names in which the certificate or certificates for the Shares are to be issued. The form of Notice of Conversion is attached hereto as Exhibit A. The Maker shall, promptly after receipt of the Notice of Conversion, issue and deliver to such persons at the address specified by the Holder, a certificate or certificates for the Shares to which the Holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of surrender of this Note, and the persons entitled to receive the Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Shares as of such date. No fractional shares shall be issued upon conversion of this Note and the number of Shares to be issued shall be rounded down to the nearest whole share. In the event that Holder elects to convert only a portion of the Outstanding Balance into Shares, Holder shall deliver to Maker a written acknowledgement of partial payment.

12. Prepayment. The Maker may, upon thirty (30) days prior written notice to Holder, prepay any part of or the entire balance of this Note without penalty.

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13. Mandatory Prepayment. In the event that:

(a) The net proceeds actually received by Maker from (i) sales of Maker's securities (other than to Holder or its affiliates) and (ii) litigation awards, exceeds \$1,000,000 during the term of this Note; or

(b) Maker has current cash on hand in excess of \$2,000,000.00 for a period exceeding 30 days, then an amount equal to fifty percent of such proceeds or cash shall be paid by the Maker to the Holder as a mandatory prepayment.

14. Controlling Law. This Note shall be governed by and construed in accordance with the laws of the State of Louisiana (other than its conflict of laws principles) and the provisions of applicable federal law.

15. Shareholder Status. Nothing contained in this Note shall be construed as conferring upon the Holder the right to vote, or to receive dividends, or to consent or to receive notice as a shareholder in respect of any meeting of shareholders for the election of directors of the Maker or of any other matter, or any rights whatsoever as a shareholder of the Maker prior to conversion hereof.

16. Notices. Any notice required or permitted under this Note shall be in writing and shall be deemed to have been given on the date of delivery, if personally delivered or delivered by courier, overnight express or other method of verified delivery, to the party to whom notice is to be given, and addressed to the addressee at the address of the addressee set forth herein, or the most recent address, specified by written notice, given to the sender pursuant to this paragraph.

17. Captions. The captions of the sections of this Note are for the purpose of convenience only and are not intended to be a part of this Note and shall not be deemed to modify, explain, enlarge or restrict any of the provisions hereof.

18. Remedies Not Exclusive. The remedies provided in this Note and the Security Agreement or otherwise available to Holder for enforcing the payment of the principal sum together with interest and the performance of the covenants, conditions and agreements herein and therein contained are cumulative and concurrent and may be pursued singly or successively or together at the sole discretion of Holder, and may be exercised from time to time as often as occasion therefore shall occur until Holder has been paid all sums due in full.

19. Severability. The terms and provisions of this Note are severable. In the event of the unenforceability or invalidity of any one or more of the terms, covenants, conditions or provisions of this Note under federal, state or other applicable law, such unenforceability or invalidity shall not render any other term, covenant, condition or provision hereunder unenforceable or invalid. In the event any waiver by Maker hereunder is prohibited by law,

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such waiver shall be and be deemed to be deleted herefrom.

20. Integration. This Note, together with the Loan and Refinancing Agreement between Maker and Holder, dated as of even date herewith, the Security Agreement, and the Amended and Restated Intercreditor Agreement between Maker, Holder, Oak Harbor and Vey dated as of even date herewith (collectively, the "Loan Documents") express the entire agreement between the Maker and Holder concerning the subject matter hereof and no modification of the Loan Documents shall be effective unless expressed in a mutually signed writing. None of Holder's rights, powers, privileges or immunities under this Note can be waived unless (and then only to the extent that) such waiver is expressed in a writing signed by Holder.

21. Successors and Assigns. This Note shall be binding upon the Maker, its successors and assigns, and shall inure to the benefit of Holder, his heirs and assigns.

22. Time of Essence. Subject to the provisions hereof, time is of the essence of each and every provision of this Note.

23. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the making of any payment, the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or a legal holiday, then such payment may be made, such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

24. Loss, Theft, Destruction or Mutilation of Note. Maker covenants that upon receipt by the Maker of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Note, and in case of loss, theft or destruction, of indemnity reasonably satisfactory to it (which shall not include the posting of any bond), and upon surrender and cancellation of such Note if mutilated, the Maker will make and deliver a new Note in the same form and dated as of the date hereof, in lieu of such Note.

25. WAIVER OF JURY TRIAL.

MAKER AND HOLDER ACKNOWLEDGE AND AGREE THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS NOTE OR WITH RESPECT TO THE TRANSACTION CONTEMPLATED HEREBY WOULD BE BASED UPON DIFFICULT AND COMPLEX ISSUES AND, THEREFORE, THE PARTIES AGREE THAT ANY LAWSUIT ARISING OUT OF ANY SUCH CONTROVERSY SHALL BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY. ACCORDINGLY, MAKER AND HOLDER IRREVOCABLY WAIVE, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT EITHER PARTY MAY NOW OR HEREAFTER HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR IN CONNECTION WITH THIS NOTE OR ANY OF THE LOAN DOCUMENTS.

26. JURISDICTION AND VENUE.

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MAKER HEREBY AGREES THAT ALL ACTIONS OR PROCEEDINGS INITIATED BY MAKER AND ARISING DIRECTLY OR INDIRECTLY OUT OF THE LOAN DOCUMENTS SHALL BE LITIGATED IN THE COURTS OF THE STATE OF LOUISIANA, OR THE UNITED STATES DISTRICT COURT IN LOUISIANA, OR IN ANY OTHER COURT IN WHICH HOLDER SHALL INITIATE SUCH ACTION, TO THE EXTENT SUCH COURT HAS JURISDICTION. MAKER HEREBY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED BY HOLDER IN ANY OF SUCH COURTS AND HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS AND COMPLAINT, OR OTHER PROCESS OR PAPERS ISSUED THEREIN, AND AGREES THAT SERVICE OF SUCH SUMMONS AND COMPLAINT OR OTHER PROCESS OR PAPERS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO THE MAKER AT THE ADDRESS TO WHICH NOTICES ARE TO BE SENT PURSUANT TO THIS NOTE. MAKER WAIVES ANY CLAIM THAT LOUISIANA IS AN INCONVENIENT FORUM OR AN IMPROPER FORUM BASED ON LACK OF VENUE. SHOULD MAKER, AFTER BEING SO SERVED, FAIL TO APPEAR OR ANSWER TO ANY SUMMONS, COMPLAINT, PROCESS OR PAPERS SO SERVED WITHIN THE NUMBER OF DAYS PRESCRIBED BY LAW AFTER THE MAILING THEREOF, MAKER SHALL BE DEEMED IN DEFAULT AND AN ORDER AND/OR JUDGMENT MAY BE ENTERED BY HOLDER AGAINST MAKER AS DEMANDED OR PRAYED.

**IN WITNESS WHEREOF** and intending to be legally bound hereby, Maker has duly executed this Note as of this the 31st day of December, 2008.

Maker's Address:

1003 West Ninth Avenue, 2<sup>nd</sup> floor  
King of Prussia, PA 19406

**Maker:**

**SEDONA CORPORATION**

/s/ Scott Edelman

By: Scott Edelman  
Chief Executive Officer

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**EXHIBIT A**  
**NOTICE OF EXERCISE**

**TO: SEDONA CORPORATION**

(1) The undersigned hereby elects to purchase \_\_\_\_\_ shares of Common Stock (the "Common Stock"), of SEDONA CORPORATION pursuant to the terms of the attached Secured Convertible Note dated December \_\_\_\_, 2008 between Sedona Corporation, as Maker, and Vey Associates, Inc., as Holder (the "Note") and tenders herewith **[the original Note] [an acknowledgement of partial payment of the Note]** together with all applicable transfer taxes.

Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below:

**EXHIBIT 10.116**

**SECURITY AGREEMENT**

**SECURITY AGREEMENT**, dated as of December 31, 2008, between **SEDONA CORPORATION**, a Pennsylvania corporation, with an office at 1003 West Ninth Avenue, 2<sup>nd</sup> Floor, King of Prussia, Pennsylvania, 19406 (**the “Debtor”**), and Vey Associates Incorporated, a Louisiana Corporation with an office at 11822 Justice Avenue, Suite B-6, Baton Rouge, Louisiana 70816, (**the “Secured Party”**).

**WHEREAS**, the Secured Party has made a loan to the Debtor and the Debtor has agreed and is obligated to make certain payments to the Secured Party under the terms of the promissory note of even date herewith in the principal sum of up to \$2,250,000 (the “Note”); and

**WHEREAS**, in order to induce the Secured Party to lend to the Debtor the sums set forth in the Note, the Debtor has agreed to grant to the Secured Party an interest in certain property of Debtor as security for the Obligations (as defined herein); and

**NOW, THEREFORE**, in consideration for the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

**ARTICLE I  
DEFINITIONS**

All capitalized terms used herein without definitions shall have the respective meanings provided therefor in the Note. The term “State”, as used herein, means the State of Louisiana. All references herein to the Uniform Commercial Code shall mean the Uniform Commercial Code in the State. All terms defined in the Uniform Commercial Code and used herein shall have the definitions as specified therein. However, if a term is defined in Article 9 of the Uniform Commercial Code differently than in another Article of the Uniform Commercial Code, the term has the meaning specified in Article 9. The term “Obligations”, as used herein, means all of the indebtedness, obligations and liabilities of the Debtor to the Secured Party, whether direct or indirect, joint or several, absolute or contingent, due or to become due, now existing or hereafter arising, including but not limited to those arising under or in respect of the Note or other instruments or agreements executed and delivered pursuant thereto or in connection therewith or this Agreement, and the term “Event of Default”, as used herein, means the failure of the Debtor to pay or perform any of the Obligations as and when due to be paid or performed and any default or event of default under the terms of the Note. An Event of Default shall also exist in the event that Debtor defaults in payment of any indebtedness due and owing to either Oak Harbor Investment Properties, LLC or David R. Vey.

**ARTICLE II  
GRANT OF SECURITY INTEREST AND SUBORDINATION**

The Debtor hereby grants to the Secured Party, to secure the payment and performance in full of all of the Obligations, a lien and security interest in and so pledges and assigns to the Secured Party the following properties, assets and rights of the Debtor, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the "Collateral"): all contracts, assets, software and intellectual property, personal and fixture property of every kind and nature, (including inventory and equipment), instruments (including promissory notes), documents, accounts, accounts receivable, chattel paper (whether tangible or electronic), deposit accounts, commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, tort claims, and all general intangibles (including all payment intangibles). The security interest of the Secured Party shall be subordinate and be junior only to the security interest of Oak Harbor Investment Properties, LLC and shall be senior to all other liens and interests in the Collateral, including the interest of David R. Vey. The Secured Party acknowledges that the attachment of its security interest in any commercial tort claim as original collateral is subject to the Debtor's compliance with Article IV, Section 7.

**ARTICLE III  
AUTHORIZATION TO FILE FINANCING STATEMENTS**

The Debtor hereby irrevocably authorizes the Secured Party, at any time and from time to time, to file in any Uniform Commercial Code jurisdiction (in addition to the State if appropriate any initial financing statements and amendments thereto that (a) indicate the Collateral: (i) as all assets of the Debtor securing the Obligations or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code or such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the Uniform Commercial Code for the sufficiency or filing office acceptance of any financing statement or amendment, including whether the Debtor is an organization, the type of organization and any organization identification number issued to the Debtor. The Debtor agrees to furnish any such information to the Secured Party promptly upon request. The Debtor also ratifies its authorization for the Secured Party to have filed in any Uniform Commercial Code jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof.

**ARTICLE IV  
OTHER ACTIONS**

Further to insure (i) the attachment, perfection and priority of the Secured Party's security interest in the Collateral, subject to the security interests, liens or encumbrances set forth on Appendix A, and (ii) the ability of the Secured Party to enforce its security interest in the Collateral, the Debtor agrees, in each case at the Debtor's own expense, to take the following actions with

respect to the following Collateral:

1. **Promissory Notes and Tangible Chattel Paper.** If the Debtor shall, at any time, hold or acquire any promissory notes or tangible chattel paper, the Debtor shall forthwith endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify.

2. **Deposit Accounts.** For each deposit account that the Debtor at any time opens or maintains, the Debtor shall, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to the Secured Party and the Debtor, either (a) cause the bank to agree to comply at any time with instructions from the Secured Party to such bank directing the disposition of funds from time to time credited to such deposit account, without further consent of the Debtor, or (b) arrange for the Secured Party to become the customer of the bank with respect to the deposit account, with the Debtor being permitted, only with the consent of the Secured Party, to exercise rights to withdraw funds from such deposit account. The Secured Party agrees with the Debtor that the Secured Party shall not give any such instructions or withhold any withdrawal rights from the Debtor unless an Event of Default has occurred and is continuing for a period of sixty (60) calendar days, or, after giving effect to any withdrawal not otherwise permitted by the Note, would occur. The provisions of this paragraph shall not apply to (i) any deposit account for which the Debtor, the bank and the Secured Party have entered into a cash collateral agreement specially negotiated among the Debtor, the bank and the Secured Party for the specific purpose set forth therein, (ii) deposit accounts for which the Secured Party is the Depository and (iii) deposit accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of the Debtor's salaried employees.

3. **Investment Property.** If the Debtor shall, at any time, hold or acquire any certificated securities (other than securities of the Debtor), the Debtor shall forthwith endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify. If any securities now or hereafter acquired by the Debtor are uncertificated and are issued to the Debtor or its nominee directly by the issuer thereof, the Debtor shall promptly notify the Secured Party thereof and, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (a) cause the issuer to agree to comply with instructions from the Secured Party as to such securities, without further consent of the Debtor or such nominee, or (b) arrange for the Secured Party to become the registered owner of the securities. If any securities, whether certificated or uncertificated, or other investment property now or hereafter acquired by the Debtor are held by the Debtor or its nominee through a securities intermediary or commodity intermediary, the Debtor shall promptly notify the Secured Party thereof and, at the Secured Party's request and option, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (i) cause such securities intermediary or (as the case may be) commodity intermediary to agree to comply with entitlement orders or other instructions from the Secured Party to such securities intermediary as to such securities or other investment property, or (as the case may be) to apply any value distributed on account of any commodity contract as directed by the Secured Party to such commodity intermediary, in each case without further consent of the

Debtor or such nominee, or (ii) in the case of financial assets or other investment property held through a securities intermediary, arrange for the Secured Party to become the entitlement holder with respect to such investment property, with the Debtor being permitted, only with the consent of the Secured Party, to exercise rights to withdraw or otherwise deal with such investment property. The provisions of this paragraph shall not apply to any financial assets credited to a securities account for which the Secured Party is the securities intermediary.

**4. Collateral in the Possession of a Bailee.** If any Collateral is at any time in the possession of a bailee, the Debtor shall promptly notify the Secured Party thereof and, if requested by the Secured Party, shall promptly seek an acknowledgment from the bailee, in form and substance satisfactory to the Secured Party, that the bailee holds such Collateral for the benefit of the Secured Party and that if an Event of Default has occurred and is continuing for a period of sixty (60) calendar days the bailee shall act upon the instructions of the Secured Party, without the further consent of the Debtor.

**5. Electronic Chattel Paper and Transferable Records.** If the Debtor at any time holds or acquires an interest in any electronic chattel paper or any "transferable record," as that term is defined in Section 201 of the federal Electronic Signatures in Global and National Commerce Act, ("ESIGN") or in Section 16 of the Uniform Electronic Transactions Act ("UETA") as in effect in any relevant jurisdiction, the Debtor shall promptly notify the Secured Party thereof and, at the request of the Secured Party, shall take such action as the Secured Party may reasonably request to vest in the Secured Party control, under Section 9-105 of the Uniform Commercial Code, of such electronic chattel paper or control under Section 201 of ESIGN or, as the case may be, Section 16 of UETA, as so in effect in such jurisdiction, of such transferable record.

**6. Letter-of-Credit Rights.** If the Debtor is at any time a beneficiary under a letter of credit now or hereafter issued in favor of the Debtor, the Debtor shall promptly notify the Secured Party thereof and, at the request and option of the Secured Party, the Debtor shall, pursuant to an agreement in form and substance satisfactory to the Secured Party, either (i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to the Secured Party of the proceeds of any drawing under the letter of credit, or (ii) arrange for the Secured Party to become the transferee beneficiary of the letter of credit, with the Secured Party agreeing, in each case, that the proceeds of any drawing under the letter to credit are to be applied as set forth in the Note.

**7. Commercial Tort Claims.** If the Debtor shall at any time hold or acquire a commercial or other tort claim, the Debtor shall immediately notify the Secured Party in a writing signed by the Debtor of the brief details thereof and grant to the Secured Party in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Secured Party.

**8. Other Actions as to any and all Collateral.** The Debtor further agrees to take any other action reasonably requested by the Secured Party to insure the attachment, perfection and priority of, and the ability of the Secured Party to enforce, the Secured Party's security interest in any and all of the Collateral, including, without limitation, (a) executing, delivering and, where

appropriate, filing financing statements and amendments relating thereto under the Uniform Commercial Code, to the extent, if any, that the Debtor's signature thereon is required therefor, (b) causing the Secured Party's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of the Secured Party to enforce, the Secured Party's security interest in such Collateral, (c) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of the Secured Party to enforce, the Secured Party's security interest in such Collateral, (d) obtaining governmental and other third party consents and approvals, including, without limitation, any consent of any licensor, lessor or other person obligated on the Collateral, (e) obtaining waivers from mortgagees and landlords in form and substance satisfactory to the Secured Party, and (f) taking all actions required by any earlier versions of the Uniform Commercial Code or by other law, as applicable in any relevant Uniform Commercial Code jurisdiction, or by other law as applicable in any foreign jurisdiction.

**ARTICLE V  
REPRESENTATIONS AND WARRANTIES CONCERNING DEBTOR'S LEGAL STATUS**

The Debtor represents and warrants to the Secured Party as follows: (a) the Debtor's exact legal name is that indicated on the signature page hereof, (b) the Debtor is a Corporation organized under the laws of the Commonwealth of Pennsylvania, (c) the Debtor's tax identification number is 95-4091769, and (d) the address listed on the cover page hereof is Debtor's chief executive office.

**ARTICLE VI  
COVENANTS CONCERNING DEBTOR'S LEGAL STATUS**

The Debtor covenants with the Secured Party as follows: (a) without providing at least thirty (30) days prior written notice to the Secured Party, the Debtor will not change its name, its place of business or, if more than one, its chief executive office, or its mailing address or tax identification number, if it has one, (b) if the Debtor does not have an tax identification number and later obtains one, the Debtor shall forthwith notify the Secured Party of such tax identification number, and (c) the Debtor will not change its type of organization, jurisdiction of organization or other legal structure without prior consent of the Secured Party.

**ARTICLE VII  
REPRESENTATIONS AND WARRANTIES CONCERNING COLLATERAL, ETC.**

The Debtor further represents and warrants to the Secured Party as follows: (a) the Debtor is the owner of or has other rights in or power to transfer the Collateral, free from any adverse lien, security interest or other encumbrance, except for the security interests, liens or encumbrances set forth on Appendix A , the security interest created by this Agreement, other liens permitted by the Note, and other liens or encumbrances incurred by the Debtor in the ordinary

course of business in an aggregate amount less than \$175,000 (all the foregoing collectively as "Permitted Liens"), except as the Secured Party may otherwise permit, (b) none of the Collateral constitutes, or is the proceeds of, "farm products" as defined in Section 9-102(a)(34) of the Uniform Commercial Code, (c) none of the account debtors or other persons obligated on any of the Collateral is a governmental authority subject to the Federal Assignment of Claims Act or like federal, state or local statute or rule in respect of such Collateral, and (d) the Debtor has at all times materially operated its business in compliance with all applicable provisions of the federal Fair Labor Standards Act, as amended, and with all applicable provisions of federal, state and local statutes and ordinances dealing with the control, shipment, storage or disposal of hazardous materials or substances.

#### **ARTICLE VIII COVENANTS CONCERNING COLLATERAL, ETC.**

The Debtor further covenants with the Secured Party as follows: (a) the Collateral, to the extent not delivered to the Secured Party pursuant to **Article IV**, will be kept at those locations listed on the address listed on the cover page hereof and the Debtor will not remove the Collateral from such locations, without providing at least thirty (30) days prior written notice to the Secured Party; (b) except for Permitted Liens, the Debtor shall be the owner of or have other rights in the Collateral free from any lien, security interest or other encumbrance, and the Debtor shall defend the same against all claims and demands of all persons at any time claiming the same or any interests therein adverse to the Secured Party; (c) except for Permitted Liens, the Debtor shall not pledge, mortgage or create, or suffer to exist a security interest in the Collateral in favor of any person other than the Secured Party, Vey, and Oak Harbor; (d) the Debtor will keep the Collateral in good order and repair reasonable wear and tear excepted and will not use the same in violation of law or any policy of insurance thereon; (e) the Debtor will permit the Secured Party, or its designee, to inspect the Collateral at any reasonable time, wherever located, during regular business hours of the Debtor, and upon reasonable prior written notice to the Debtor; (f) the Debtor will pay promptly when due all taxes, assessments, governmental charges and levies upon the Collateral or incurred in connection with the use or operation of such Collateral or incurred in connection with this Agreement; (g) the Debtor will continue to operate its business in material compliance with all applicable provisions of the federal Fair Labor Standards Act, as amended, and with all applicable provisions of federal, state and local statutes and ordinances dealing with the control, shipment, storage or disposal of hazardous materials or substances; and (h) the Debtor will not sell or otherwise dispose of, or offer to sell or otherwise dispose of, the Collateral or any interest therein except for (i) sales and leases of inventory and licenses of general intangibles in the ordinary course of business, and (ii) so long as no Event of Default has occurred and is continuing for a period of sixty (60) calendar days, sales or other dispositions of obsolescent Collateral in the ordinary course of business consistent with past practices dispositions permitted by the Note.

## ARTICLE IX INSURANCE

The following provisions regarding insurance are made part of this Agreement.

1. **Maintenance of Insurance.** The Debtor will maintain with financially sound and reputable insurers insurance with respect to its properties and business against such casualties and contingencies as shall be in accordance with general practices of businesses engaged in similar activities in similar geographic areas. Such insurance shall be in such minimum amounts that the Debtor will not be deemed a co-insurer under applicable insurance laws, regulations and policies and otherwise shall be in such amounts, contain such terms, be in such forms and be for such periods as may be reasonably satisfactory to the Secured Party. In addition, all such insurance shall be payable to the Secured Party as loss payee under a "standard" or "New York" loss payee clause. Without limiting the foregoing, the Debtor will (i) keep all of the Collateral constituting physical property insured with casualty or physical hazard insurance on an "all risks" basis, with broad form flood and earthquake coverages and electronic data processing coverage, with a full replacement cost endorsement and an "agreed amount" clause in an amount equal to 100% of the full replacement cost of such property, (ii) maintain all such workers' compensation or similar insurance as may be required by law, and (iii) maintain, in amounts and with deductibles equal to those generally maintained by businesses engaged in similar activities in similar geographic areas, general public liability insurance against claims of bodily injury, death or property damage occurring, on, in or about the properties of the Debtor; business interruption insurance; and product liability insurance.

2. **Insurance Proceeds** The proceeds of any casualty insurance in respect of any casualty loss of any of the Collateral shall, subject to the rights, if any, of other parties with a prior interest in the property covered thereby, (i) so long as no Default or Event of Default has occurred and is continuing for a period of sixty (60) days, be disbursed to the Debtor for direct application by the Debtor solely to the repair or replacement of the Debtor's property so damaged or destroyed, and (ii) in all other circumstances, be held by the Secured Party as cash collateral for the Obligations. The Secured Party may, at its sole option, disburse from time to time all or any part of such proceeds so held as cash collateral, upon such terms and conditions as the Secured Party may reasonably prescribe, for direct application by the Debtor solely to the repair or replacement of the Debtor's property so damaged or destroyed, or the Secured Party may apply all or any part of such proceeds to the Obligations.

3. **Notice of Cancellation, etc.** All policies of insurance shall provide for at least thirty (30) days prior written cancellation notice to the Secured Party. In the event of failure by the Debtor to provide and maintain insurance as herein provided, the Secured Party may, at its option, provide such insurance and charge the amount thereof to the Debtor. The Debtor shall furnish the Secured Party with certificates of insurance and policies evidencing compliance with the foregoing insurance provision.

**ARTICLE X  
COLLATERAL PROTECTION EXPENSES; PRESERVATION OF COLLATERAL**

The following provisions regarding the Collateral are made part of this Agreement.

1. **Expenses Incurred by Secured Party.** In its discretion, the Secured Party may discharge taxes and other encumbrances at any time levied or placed on any of the Collateral, make repairs thereto and pay any necessary filing fees or, if the Debtor fails to do so, insurance premiums. The Debtor agrees to reimburse the Secured Party on demand for any and all expenditures so made. The Secured Party shall have no obligation to the Debtor to make any such expenditures, nor shall the making thereof relieve the Debtor of any default or Event of Default.

2. **Secured Party's Obligations and Duties.** Anything herein to the contrary notwithstanding, the Debtor shall remain liable under each contract or agreement included in the Collateral to be observed or performed by the Debtor thereunder. The Secured Party shall not have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by the Secured Party of any payment relating to any of the Collateral, nor shall the Secured Party be obligated in any manner to perform any of the obligations of the Debtor under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by the Secured Party in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to the Secured Party or to which the Secured Party may be entitled at any time or times. The Secured Party's sole duty with respect to the custody, safe-keeping and physical preservation of the Collateral in its possession, under Section 9-207 of the Uniform Commercial Code or otherwise, shall be to deal with such Collateral in the same manner as the Secured Party deals with similar property for its own account.

**ARTICLE XI  
SECURITIES AND DEPOSITS**

The Secured Party, may if an Event of Default exists and is continuing for a period of sixty (60) calendar days, at its option, transfer to itself or any nominee any securities constituting Collateral, receive any income thereon and hold such income as additional Collateral, or apply it to the Obligations. Whether or not any Obligations are due, the Secured Party may demand, sue for, collect, or make any settlement or compromise which it deems desirable with respect to the Collateral. Regardless of the adequacy of Collateral or any other security for the Obligations, any deposits or other sums at any time credited by or due from the Secured Party to the Debtor may, at any time, be applied to or set off against any of the Obligations.

**ARTICLE XII  
NOTIFICATION TO ACCOUNT DEBTORS AND  
OTHER PERSONS OBLIGATED ON COLLATERAL**

The Debtor shall, at the request of the Secured Party, and only if an Event of Default has occurred, notify account debtors and other persons obligated on any of the Collateral of the security interest of the Secured Party in any account, chattel paper, general intangible, instrument or other Collateral and that payment thereof is to be made directly to the Secured Party or to any financial institution designated by the Secured Party as the Secured Party's agent therefor, and the Secured Party may itself, without notice to or demand upon the Debtor, so notify account debtors and other persons obligated on Collateral. After the making of such a request or the giving of any such notification, the Debtor shall hold any proceeds of collection of accounts, chattel paper, general intangibles, instruments and other Collateral received by the Debtor as trustee for the Secured Party without commingling the same with other funds of the Debtor and shall turn the same over to the Secured Party in the identical form received, together with any necessary endorsements or assignments. The Secured Party shall apply the proceeds of collection of accounts, chattel paper, general intangibles, instruments and other Collateral received by the Secured Party to the Obligations, such proceeds to be immediately entered after final payment in cash or other immediately available funds of the items giving rise to them.

**ARTICLE XIII  
POWER OF ATTORNEY**

The following provisions regarding power of attorney are made part of this Agreement.

1. **Appointment and Powers of Secured Party.** The Debtor hereby irrevocably constitutes and appoints the Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority in the place and stead of the Debtor or in the Secured Party's own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives said attorneys the power and right, on behalf of the Debtor, without notice to or assent by the Debtor, to do the following:

(A). Upon the occurrence and during the continuance of an Event of Default, which remains uncured for sixty (60) calendar days, generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral in such manner as is consistent with the Uniform Commercial Code and as fully and completely as though the Secured Party were the absolute owner thereof for all purposes, and to do at the Debtor's expense, at any time, or from time to time, all acts and things which the Secured Party deems necessary to protect, preserve or realize upon the Collateral and the Secured Party's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as the Debtor might do, including, without limitation, (i) the filing and prosecuting of registration and transfer applications with the appropriate federal or

local agencies or authorities with respect to trademarks, copyrights and patentable inventions and processes, (ii) upon written notice to the Debtor, the exercise of voting rights with respect to voting securities, which rights may be exercised, if the Secured Party so elects, with a view to causing the liquidation in a commercially reasonable manner of assets of the issuer of any such securities, and (iii) the execution, delivery and recording, in connection with any sale or other disposition of any Collateral, of the endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral; and

(B). To the extent that the Debtor's authorization given in **Article III** is not sufficient, to file such financing statements with respect hereto, with or without the Debtor's signature, or a photocopy of this Agreement in substitution for a financing statement, as the Secured Party may deem appropriate and to execute in the Debtor's name such financing statements and amendments thereto and continuation statements which may require the Debtor's signature.

(C) Notwithstanding the foregoing, the rights of the Secured Party under this section may be limited by the terms of an Intercreditor Agreement, dated of event date herewith, by and between the Secured Party, Oak Harbor Investment Properties, L.L.C., David R. Vey and Debtor.

**2. Ratification by Debtor.** To the extent permitted by law, the Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

**3. No Duty on Secured Party.** The powers conferred on the Secured Party hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Secured Party shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Debtor for any act or failure to act, except for the gross negligence or willful misconduct of the Secured Party or any of its officers, directors, or employees.

#### **ARTICLE XIV REMEDIES**

If an Event of Default occurs under this Agreement and remains uncured for a period of sixty (60) calendar days, at any time thereafter, the Secured Party shall have all of the rights of a secured party under applicable law, and more specifically under the Uniform Commercial Code and shall have all of the rights and remedies set forth in the Note. In addition and without limitation, the Secured Party may exercise any one or more of the following rights and remedies:

**1. General Remedies.** The Secured Party may, without notice to or demand upon the Debtor, declare this Agreement to be in default, and the Secured Party shall thereafter have in any jurisdiction in which enforcement hereof is sought, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code or of any jurisdiction in which Collateral is located, including, without limitation, the right to take possession of the Collateral, and for that purpose the Secured Party may, so far as the Debtor can give authority therefor, enter upon any premises on which the Collateral may be situated and remove the same therefrom. The Secured Party may in its discretion require the Debtor to assemble all or any part of the

Collateral at such location or locations within the jurisdiction(s) of the Debtor's principal office(s) or at such other locations as the Secured Party may reasonably designate. Unless the Collateral is perishable or threatens to decline speedily in value, or is of a type customarily sold on a recognized market, the Secured Party shall give to the Debtor at least five (5) business days prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other intended disposition is to be made. The Debtor hereby acknowledges that five (5) business days prior written notice of such sale or sales shall be reasonable notice. In addition, the Debtor waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of the Secured Party's rights hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights with respect thereto.

2. **Keeper.** Should any or all of the Collateral be seized as an incident to an action for the recognition or enforcement of this Agreement, by executory process, sequestration, attachment, writ of fieri facias or otherwise, the Debtor hereby agrees that the court issuing any such order shall, if requested by the Secured Party, appoint the Secured Party, or any agent designated by the Secured Party, or any person or entity named by the Secured Party at the time such seizure is requested, or any time thereafter, as Keeper of the Collateral. Such a Keeper shall be entitled to reasonable compensation. The Debtor agrees to pay the reasonable fees of such Keeper.

3. **Other Rights and Remedies.** In addition, the Secured Party shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

4. **Cumulative Remedies.** All of the Secured Party's rights and remedies, whether evidenced by this Agreement or the Note or by any amendments, shall be cumulative and may be exercised singularly or concurrently. Election by the Secured Party to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of the Debtor under this Agreement, after the Debtor's failure to perform, shall not affect the Secured Party's right to declare a default and to exercise its remedies.

5. **Fees.** If an Event of Default has occurred under the Note or this Agreement and the Note is referred to an attorney at law for collection, Debtor agrees to pay all costs incurred by the Secured Party incident to collection up to a limit of 10% of the unpaid principal balance, including but not limited to reasonable attorney fees, enforceable as a contract of indemnity, plus all court costs.

#### **ARTICLE XV STANDARDS FOR EXERCISING REMEDIES**

To the extent that applicable law imposes duties on the Secured Party to exercise

Page 11 of 16

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remedies in a commercially reasonable manner, the Debtor acknowledges and agrees that it is not commercially unreasonable for the Secured Party (a) to fail to incur expenses reasonably deemed significant by the Secured Party to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against account debtors or other persons obligated on Collateral or to remove liens or encumbrances on or any adverse claims against Collateral, (d) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other persons, whether or not in the same business as the Debtor, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, at commercially reasonable rates, whether or not the Collateral is of a specialized nature, (h) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets at commercially reasonable rates, (i) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties, (k) to purchase reasonable insurance or credit enhancements to insure the Secured Party against risks of loss, collection or disposition of Collateral or to provide to the Secured Party a guaranteed return from the collection or disposition of Collateral, or (l) to the extent deemed appropriate by the Secured Party, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Secured Party in the collection or disposition of any of the Collateral. The Debtor acknowledges that the purpose of this **Article XV** is to provide non-exhaustive indications of what actions or omissions by the Secured Party would not be commercially unreasonable in the Secured Party's exercise of remedies against the Collateral and that other actions or omissions by the Secured Party shall not be deemed commercially unreasonable solely on account of not being indicated in this **Article XV**. Without limitation upon the foregoing, nothing contained in this **Article XV** shall be construed to grant any rights to the Debtor or to impose any duties on the Secured Party that would not have been granted or imposed by this Agreement or by applicable law in the absence of this **Article XV**.

#### **ARTICLE XVI NO WAIVER BY SECURED PARTY, ETC.**

The Secured Party shall not be deemed to have waived any of its rights upon or under the Obligations or the Collateral unless such waiver shall be in writing and signed by the Secured Party. No delay or omission on the part of the Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. All rights and remedies of the Secured Party with respect to the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly, alternatively, successively or concurrently at such time or at such times as the Secured Party deems expedient.

**ARTICLE XVII  
SURETYSHIP WAIVERS BY DEBTOR**

The Debtor waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect to both the Obligations and the Collateral, the Debtor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of or failure to perfect any security interest in any Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Secured Party may deem advisable. The Secured Party shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof as set forth in **Article X, Section 2**. The Debtor further waives any and all other suretyship defenses.

**ARTICLE XVIII  
MARSHALLING**

The Secured Party shall not be required to marshal any present or future collateral security (including, but not limited to, this Agreement and the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of its rights hereunder and in respect of such collateral security and other assurances of payment shall be cumulative and, in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Debtor hereby agrees that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Secured Party's rights under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, the Debtor hereby irrevocably waives the benefits of all such laws.

**ARTICLE XIX  
PROCEEDS OF DISPOSITIONS; EXPENSES**

The Debtor shall pay to the Secured Party, on demand, any and all expenses, including reasonable attorneys' fees and disbursements, incurred by the Secured Party in protecting, preserving or enforcing the Secured Party's rights under or in respect of any of the Obligations or any of the Collateral. After deducting all of said expenses, the residue of any proceeds of collection or sale of the Obligations or Collateral shall, to the extent actually received in cash, be applied to the payment of the Obligations in such order or preference as the Secured Party may determine or in such order or preference as is provided in the Note, proper allowance and provision being made for any Obligations not then due. Upon the final payment and satisfaction in full of all of the Obligations and, after making any payments required by Sections 9-608(a)(1)(C) or 9-615(a)(3) of

the Uniform Commercial Code, any excess shall be returned to the Debtor, and the Debtor shall remain liable for any deficiency in the payment of the Obligations.

**ARTICLE XX  
OVERDUE AMOUNTS**

Until paid, all amounts due and payable by the Debtor hereunder shall be a debt secured by the Collateral and shall bear, whether before or after judgment, interest at the applicable rate as set forth in the Note.

**ARTICLE XXI  
GOVERNING LAW; CONSENT TO JURISDICTION**

**THIS AGREEMENT IS INTENDED TO TAKE EFFECT AS A SEALED INSTRUMENT AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF LOUISIANA.** The Debtor agrees that any suit for the enforcement of this Agreement may be brought in either the courts of the state or any jurisdiction in which the Collateral is located, or any federal court sitting in any of the foregoing and consents to the non-exclusive jurisdiction of such courts and to service of process in any such suit being made upon the Debtor by mail at the address set forth on the cover page hereof. The Debtor hereby waives any objection that it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient court.

**ARTICLE XXII  
WAIVER OF JURY TRIAL**

**THE DEBTOR WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF ANY SUCH RIGHTS OR OBLIGATIONS.** Except as prohibited by law, the Debtor waives any right which it may have to claim or recover in any litigation referred to in the preceding sentence any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. The Debtor (i) certifies that neither the Secured Party nor any representative, agent or attorney of the Secured Party has represented, expressly or otherwise, that the Secured Party would not, in the event of litigation, seek to enforce the foregoing waivers and (ii) acknowledges that, in entering into the Note, the Secured Party is relying upon, among other things, the waivers and certifications contained in this **Article XXII.**

**ARTICLE XXIII  
MISCELLANEOUS**

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof. No change, modification or addition to this Agreement shall be enforceable unless in writing and signed by the party against whom enforcement is sought. The headings of each

section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon the Debtor and its respective successors and assigns, and shall inure to the benefit of the Secured Party and its successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. The Debtor acknowledges receipt of a copy of this Agreement.

**IN WITNESS WHEREOF**, intending to be legally bound, the Debtor has caused this Agreement to be duly executed as of the date first above written.

**SECURED PARTY:**

**VEY ASSOCIATES INCORPORATED**

**By:** /S/ DAVID VEY  
**Name:** DAVID VEY

**DEBTOR:**

**SEDONA CORPORATION**

**By:** /S/ SCOTT EDELMAN  
**Name:** SCOTT EDELMAN  
**Title:** PRESIDENT AND CEO

**APPENDIX A**  
**to**  
**SECURITY AGREEMENT between SEDONA CORPORATION and**  
**VEY ASSOCIATES**

Oak Harbor Investment Properties, LLC

Jurisdiction: Commonwealth of Pennsylvania (Oak Harbor Investment Properties, LLC)

File Date: 3/18/2003

File No: 20030256799

Extended: February 26, 2008

Extended File No: 2008022700539

Page 16 of 16

**EXHIBIT 10.117**

**AMENDED AND RESTATED  
INTERCREDITOR AGREEMENT**

**INTERCREDITOR AGREEMENT**, dated as of December 31, 2008, between David R. Vey, an individual (“Vey”), Oak Harbor Investment Properties, L.L.C., a Louisiana limited liability company (“Oak Harbor”), Vey Associates Incorporated, a Louisiana corporation (“Associates”), and Sedona Corporation (“Sedona”).

**WHEREAS**, certain of the parties entered into an Intercreditor Agreement as of October 23, 2006; and

**WHEREAS**, the current parties desire to amend and restate the Intercreditor Agreement as reflected herein; and

**WHEREAS**, Oak Harbor has extended a loan to Sedona Corporation (“Sedona”), as evidenced by a certain promissory note dated August 17, 2006 from Sedona to Oak Harbor in the principal sum of ONE MILLION FORTY THOUSAND FOUR HUNDRED TWO and 22 /100 Dollars (\$1,040.402.22), (the “Oak Harbor Note”), which such note is secured by a first priority lien and pledge of Receivables and certain other assets of Sedona pursuant to the terms and provisions of an Amended and Restated Security Agreement dated as of October 23, 2006, between Sedona and Oak Harbor (the “Oak Harbor Security Agreement”); and

**WHEREAS**, Vey has also extended loans to Sedona evidenced by a restated consolidated convertible promissory note, dated December 31, 2008, in the aggregate principal sum of Four Million One Hundred Thousand Dollars (\$4,100,000) (the “Consolidated Note”); which such note is secured by a subordinate lien and pledge of the Receivables and certain other assets of Sedona pursuant to the terms of a Security Agreement, dated as of October 23, 2006 between Sedona and Vey (the “Vey Security Agreement”); and

**WHEREAS**, Associates has also extended loans to Sedona as evidenced by a convertible promissory note, dated December 30, 2008, in the aggregate principal sum of up to TWO MILLION TWO HUNDRED FIFTY THOUSAND and 00/100 Dollars (\$2,250,000) (the “New Note”), which such note is secured by a subordinate lien and pledge of the Receivables and certain other assets of Sedona pursuant to the terms of a Security Agreement, dated as of December 30, 2008 between Sedona and Associates (the “Associates Security Agreement”);

**NOW THEREFORE**, in consideration of the foregoing and the mutual agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Section 1. **Certain Defined Terms.** As used in this Agreement, the following capitalized terms shall have the meanings respectively assigned to them below.

“**Agreement**” shall mean this Intercreditor Agreement, as the same may be amended, supplemented, modified, amended or restated from time to time in the manner provided herein.

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“**Notes**” shall collectively mean the Oak Harbor Note, the Consolidated Note and the New Note.

“**Security Agreements**” shall collectively mean the Oak Harbor Security Agreement, the Vey Security Agreement and the Associates Security Agreement.

Section 2. **Subordination of the New Note and the Consolidated Note to Oak Harbor Note.** Vey and Associates hereby postpone and subordinate, to the extent and in the manner provided in this Agreement, any and all obligations of Sedona pursuant to the New Note and the Consolidated Note to the obligations arising under the Oak Harbor Note and any renewals, extensions, increases or modifications to such note. Until the Oak Harbor Note has been fully and finally paid, neither Sedona, Associates nor Vey shall take or permit any action prejudicial to or inconsistent with Oak Harbor’s priority position over Associates and Vey that is created by this Agreement. Associates and Vey agree that the Oak Harbor Note may, in whole or in part, be renewed, extended, increased, modified, accelerated, compromised, settled or released and that any collateral security or liens for the Oak Harbor Note may, from time to time in whole or in part, be exchanged, sold, released or surrendered, as Oak Harbor may deem advisable, all without impairing the subordination contained in this Agreement.

Section 3. **Subordination of the Consolidated Note to the New Note.** Vey hereby postpones and subordinates, to the extent and in the manner provided in this Agreement, any and all obligations of Sedona pursuant to the Consolidated Note to the obligations arising under the New Note and any renewals, extensions, increases or modifications to such note. Until the New Note has been fully and finally paid, neither Sedona nor Vey shall take or permit any action prejudicial to or inconsistent with Associates’ priority position over Vey that is created by this Agreement. Vey agrees that the New Note may, in whole or in part, be renewed, extended, increased, modified, accelerated, compromised, settled or released and that any collateral security or liens for the New Note may, from time to time in whole or in part, be exchanged, sold, released or surrendered, as Associates may deem advisable, all without impairing the subordination contained in this Agreement.

Section 4. **Priority of Payment Upon the Acceleration of the New Note or the Consolidated Note.**

(a) In the event that either the New Note or the Consolidated Note are declared due and payable before their stated maturity, then and in such event no payment or distribution of any kind or character shall be made in respect of the New Note or the Consolidated Note, and Oak Harbor shall be entitled to receive payment in full in cash of all amounts due or to become due or in respect of the Oak Harbor Note (whether or not an event of default has occurred thereunder or such Oak Harbor Note has been declared due and payable prior to the date on which it would otherwise have become due and payable), before either Vey or Associates is entitled to receive any payment or distribution of any kind or character (including any payment which may be payable by reason of the payment of any other indebtedness of Sedona being subordinate to the payment of the New Note or Consolidated Note by Sedona).

(b) In the event that the Consolidated Note is declared due and payable before its stated maturity and after payment in full of the Oak Harbor Note, then and in such event no payment or distribution of any kind or character shall be made in respect of the Consolidated Note and Associates shall be entitled to receive payment in full in cash of all amounts due or to become due or

in respect of the New Note (whether or not an event of default has occurred thereunder or such New Note has been declared due and payable prior to the date on which it would otherwise have become due and payable), before Vey is entitled to receive any payment or distribution of any kind or character (including any payment which may be payable by reason of the payment of any other indebtedness of Sedona being subordinate to the payment of the Consolidated Note by Sedona).

Section 5. **Priority.** As long as notice of an event of default has not been received pursuant to the terms of any of the Notes, payments shall be made and received by Vey, Associates, or Oak Harbor or their successors or assigns in accordance with the terms and conditions of such Notes. Except as otherwise set forth in this Agreement, Vey, Associates and Oak Harbor and their successors and assigns hereby agree that as among themselves, if notice of an event of default has been received under any of the Notes: (a) all payments received thereafter pursuant to the Notes shall be applied in accordance with the following order of priority: (i) payment in full of the Oak Harbor Note; (ii) payment in full of the New Note; and (iii) payment in full of the Consolidated Note; and (b) except as expressly provided herein, if Vey, Associates or Oak Harbor shall collect or receive any sums or any collateral for any party they shall forthwith deliver such sums to the proper party in the form received. Until such delivery, the sums shall be held in trust for the benefit of the proper party and shall not be commingled with other funds or property.

Section 6. **Subordination Absolute.** The parties hereto covenant and agree that their subordinations and other covenants and agreements under this Agreement shall: (i) be absolute and unconditional, irrespective of the validity, legality, binding effect or enforceability of any terms and provisions of the Notes or the Security Agreements; and (ii) remain and continue in full force and effect without regard to any waiver of any term or provision of the Notes and Security Agreements. In the event of a conflict between the terms of this Agreement and the Notes or the Security Agreements, the terms of this Agreement shall govern.

Section 7. **Validity of Junior Debt.** The provisions of this Agreement subordinating: (i) the New Note and the Consolidated Note to the Oak Harbor Note, and (ii) the Consolidated Note to the New Note, are solely for the purpose of defining the relative rights of the parties and shall not impair, the obligation of Sedona, which is unconditional and absolute, to pay each of the Notes in accordance with its terms, nor shall any such provisions prevent any party from exercising all remedies otherwise permitted by applicable law or under any instrument or agreement evidencing the Notes upon default thereunder, subject to the terms hereof and: (i) the rights of Oak Harbor hereunder to receive cash, property or securities otherwise payable or deliverable to Vey or Associates until the Oak Harbor Note is paid in full; and (ii) upon payment of the Oak Harbor Note, the rights of Associates hereunder to receive cash, property or securities otherwise payable or deliverable to Vey until the New Note is paid in full.

Section 8. **Duration and Termination.** This Agreement shall constitute a continuing agreement of subordination, and shall remain in effect until the Notes have been fully and finally paid. Neither the death, nor the bankruptcy of any of the parties shall effect a termination hereof. Oak Harbor may, without notice to Vey or Associates, extend or continue credit and make other financial accommodations to, or for the account of Sedona in reliance upon this Agreement. Associates may, without notice to Vey, extend or continue credit and make other financial accommodations to, or for the account of Sedona in reliance upon this Agreement. The obligations of Vey and Associates under this Agreement shall continue to be effective, or be reinstated, as the case may be, if at any time any payment in respect of the Oak Harbor Note is rescinded or must otherwise be restored or returned by Oak Harbor by reason of any bankruptcy, reorganization,

arrangement, composition or similar proceeding or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, Sedona or any substantial part of its property, or otherwise, all as though such payment had not been made. The obligations of Vey under this Agreement shall continue to be effective, or be reinstated, as the case may be, if at any time any payment in respect of the New Note is rescinded or must otherwise be restored or returned by Associates by reason of any bankruptcy, reorganization, arrangement, composition or similar proceeding or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, Sedona or any substantial part of its property, or otherwise, all as though such payment had not been made.

Section 9. **Governing Law: Consent to Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of the State of Louisiana without regard to the choice of law or conflicts of law provisions thereof. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the non-exclusive jurisdiction of the courts of the State of Louisiana and of the United States of America, located in the State of Louisiana , for any action, proceeding or investigation in any court or before any governmental authority (“Litigation”) arising out of or relating to this Agreement and the transactions contemplated hereby, and further agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in this Agreement shall be effective service of process for any Litigation brought against it in any such court. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any Litigation arising out of this Agreement or the transaction contemplated hereby in the courts of the State of Louisiana or the United States of America, located in the State of Louisiana , and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Litigation brought in any such court has been brought in an inconvenient forum.

Section 10. **Counterparts/Facsimile/Amendments.** This Agreement may be executed in multiple counterparts, each of which may be executed by less than all of the parties and shall be deemed to be an original instrument which shall be enforceable against the parties actually executing such counterparts and all of which together shall constitute one and the same instrument. Except as otherwise stated herein, in lieu of the original documents, a facsimile transmission or copy of the original documents shall be as effective and enforceable as the original. This Agreement may be amended only by a writing executed by all parties.

Section 11. **Entire Agreement.** This Agreement, sets forth the entire agreement and understanding of the parties relating to the subject matter hereof and supersedes all prior and contemporaneous agreements) negotiations and understandings between the parties, both oral and written relating to the subject matter hereof.

Section 12. **Severability.** In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided that such severability shall be ineffective if it materially changes the economic benefit of this Agreement to any party.

Section 13. **Headings.** The headings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

Section 14. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of Oak Harbor and its successors and its assigns, and to Vey and his heirs, legal representatives, administrators, executors, successors and assigns.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by the undersigned, thereunto duly authorized, as of the date first set forth above.

Oak Harbor Investment Properties LLC

By: /s/ David R. Vey

/s/ David R. Vey  
David R. Vey

Vey Associates Incorporated

By: /s/ David R. Vey  
David R. Vey, President

Sedona Corporation

By: /s/ Scott Edelman  
Scott Edelman  
President and CEO