

10-18-2001



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Form PTO-1595
(Rev. 03/01)

OMB No. 0651-0027 (exp. 5/31/2002)

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

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

1. Name of conveying party(ies): 10-1201
OmegaTech, Inc.
4909 Nautilus Court North, Suite 208
Boulder, Colorado 80301

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

3. Nature of conveyance:
☐ Assignment ☐ Merger
☒ Security Agreement ☐ Change of Name
☐ Other _____

Execution Date: September 25, 2001

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

Internal Address: _____
c/o Kent M. Meager

Street Address: 421 Mountain View Road

City: Boulder State: CO Zip: 80302

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

4. Application number(s) or patent number(s):
If this document is being filed together with a new application, the execution date of the application is: _____

A. Patent Application No.(s) B. Patent No.(s)

Additional numbers attached? ☒ Yes ☐ No

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

Name: Christopher Iorillo, Esq.

Internal Address: _____

c/o Paul, Hastings, Janofsky & Walker LLP

Street Address: 555 South Flower Street

23rd Floor

City: Los Angeles State: CA Zip: 90071

6. Total number of applications and patents involved: ☐

7. Total fee (37 CFR 3.41).....\$ _____

☒ Enclosed
☐ Authorized to be charged to deposit account

8. Deposit account number:

16-0752

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

DO NOT USE THIS SPACE

9. Statement and signature.

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

Christopher Iorillo, Esq.

Name of Person Signing

Signature

September 25, 2001

Date

Total number of pages including cover sheet, attachments, and documents: ☐

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

PATENT
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Supplemental Page to Recordation Form Cover Sheet – Patents Only

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

<u>Serial No.</u>	<u>Filing Date</u>	<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Country</u>
08/842,874	4/17/1997	Food Product Containing Thraustochytrium and/or Schizochytrium Microflora and an Additional Agricultural Based Ingredient	5,908,622	6/1/1999	USA
07/911,760	7/10/1992	Food Product Having High Concentration of Omega-3 Highly Unsaturated Fatty Acids	5,340,594	8/23/1994	USA
08/292,736	8/16/1994	Food Product With High Concentrations of Omega-3 Highly Unsaturated Fatty Acids	5,656,819	8/12/1997	USA
09/134,504	8/14/1998	Method for Increasing the Incorporation Efficiency of Omega-3 Highly Unsaturated Fatty Acid in Poultry Meat	6,054,147	4/25/2000	USA
09/434,695	1/15/1999	Method for Producing Milk Products Having High Concentrations of Omega-3 Highly Unsaturated Fatty Acids	6,177,108	1/23/2001	USA
08/377,766	1/24/1995	Method for Production of Arachidonic Acid	5,583,019	12/10/1996	USA
08/483,477	6/7/1995	Method for Raising Animals Having High Concentrations of Omega-3 Highly Unsaturated Fatty Acids	5,698,244	12/16/1997	USA
08/461,137	6/5/1995	Method of Aquaculture Comprising Feeding Microflora Having a Small Cell Aggregate Size	5,688,500	11/18/1997	USA

<u>Serial No.</u>	<u>Filing Date</u>	<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Country</u>
09/270,301	3/15/1999	Methods of Aquaculture by Feeding Larval Shrimp Thraustochytrium and/or Schizochytrium Microflora	6,103,225	8/15/2000	USA
08/292,490	8/15/1994	Microfloral Biomass Having Omega-3 Highly Unsaturated Fatty Acids	5,518,918	5/21/1996	USA
08/918,325	8/26/1997	Milk Products Having High Concentrations of Omega-3 Highly Unsaturated Fatty Acids	5,985,348	11/16/1999	USA
07/962,522	10/16/1992	Process for Growing Thraustochytrium and Schizochytrium Using Non-Chloride Salts to Produce a Microfloral Biomass Having Omega-3 Highly Unsaturated Fatty Acids	5,340,742	8/23/1994	USA
07/580,778	9/11/1990	Process for the Heterotrophic Production of Microbial Products with High Concentrations of Omega-3 Highly Unsaturated Fatty Acids	5,130,242	7/14/1992	USA
08/763,973	12/10/1996	Product Containing Mortierella Sect. Schmuckeri Lipids	5,882,703	3/16/1999	USA
09/270,294	3/15/1999	Product Containing Mortierella Sect. Schmuckeri Lipids	6,245,365	6/12/2001	USA
08/968,628	11/12/1997	A Method for Growing Microorganisms in Stainless Steel Fermentors in High Sodium Media			USA
09/461,663	12/14/1998	A Method for Reducing Corrosion in a Fermentor			USA
60/290,898	5/14/2001	A Method of Improving the Flavor, Tenderness and Overall Consumer Acceptability of Poultry Meat			USA

<u>Serial No.</u>	<u>Filing Date</u>	<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Country</u>
09/639,426	8/16/2000	Aquaculture Feed Composition Including Thraustochytriales Microflora			USA
60/284,054	4/16/2001	Cartenoid Synthase Gene and Uses Thereof			USA
09/730,048	12/4/2000	Eggs Containing High Concentrations of Omega-3 Highly Unsaturated Fatty Acids and Methods for Producing the Same			USA
09/771,352	1/26/2001	Enhanced Production of Lipids Containing Polyenoic Fatty Acid by Very High Density Cultures of Eukaryotic Microbes in Fermentors			USA
60/178,588	1/28/2000	Enhanced Production of Lipids Containing Polyenoic Fatty Acid by Very High Density Cultures of Eukaryotic Microbes in Fermentors			USA
09/789,057	2/19/2001	Food Products Containing Mortierella Sect. Schmucker			USA
60/055,765	8/14/1997	Improved Feeding Protocol for Increasing the Omega-3 Highly Unsaturated Fatty Acid Content of Animal Flesh and Animal Products			USA
60/214,291	6/26/2000	Improved Method of Incorporating Polyunsaturated Fatty Acids in Milk			USA
US01/20,471	6/26/2001	Improved Methods of Incorporating Polyunsaturated Fatty Acids in Milk			USA
09/461,709	12/14/1999	Lipids Extracted from Microorganisms			USA

<u>Serial No.</u>	<u>Filing Date</u>	<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Country</u>
60/137,851	8/7/1999	Method for Improving the Functional Status of Semen			USA
09/480,060	1/10/2000	Method for Producing Arachidonic Acid (As Amended)			USA
66/271,209	2/28/2001	Method for the Fractionation of Oil and Polar Lip-Containing Raw Materials			USA
60/177,249	1/20/2000	Methods for Raising Rabbits			USA
60/284,066	4/16/2001	Polyketide Synthase System and Uses Thereof			USA
60/298,796	6/15/2001	Polyketide Synthase System and Uses Thereof			USA
09/758,973	1/11/2001	Process for Making an Enriched Mixture of Polyunsaturated Fatty Acid Esters			USA
60/175,583	1/11/2000	Process for Making an Enriched Mixture of Polyunsaturated Fatty Acid Esters			USA
09/507,718	2/17/2000	Process for Separating a Triglyceride Comprising a Docosahexaenoic Acid Residue from a Mixture of Triglycerides			USA
60/121,734	2/26/1999	Process for Separating a Triglyceride Comprising a Docosahexaenoic Acid Residue from a Mixture of Triglycerides			USA
07/439,093	11/17/1989	Process for the Heterotrophic Production of Microbial Products with High Concentrations of Omega-3 Highly Unsaturated Fatty Acids			USA

<u>Serial No.</u>	<u>Filing Date</u>	<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Country</u>
60/284,116	4/16/2001	Product and Process for Transformation of Thraustochytriales			USA
60/306,006	7/16/2001	Production and Use of Vegetable Oils Containing Enhanced Concentrations of Natural Antioxidants			USA
60/291,484	5/14/2001	Production and Use of a Polar Lipid-Rich Fraction Containing Stearidonic Acid and Gamma Linolenic Acid from Plant Seeds and Microbes			USA
60/290,899	5/14/2001	Production of Use of a Polar Lipid-Rich Fraction Containing Omega-3 and/or Omega-6 Highly Unsaturated Fatty Acids from Microbes, Genetically Modified Plant Seeds and Marine Organisms			USA
60/314,713	8/24/2001	Products Containing Highly Unsaturated Fatty Acids for Use by Women During States of Preconception, Pregnancy and Lactation			USA
60/251,431	12/4/2000	Purification of Highly Unsaturated Fatty Acids Using High-Performance Liquid Chromatography			USA
09/231,899	1/14/1999	Schizochytrium PKS Genes			USA
60/177,125	1/19/2000	Solventless Extraction Process			USA
09/766,500	1/19/2001	Solventless Extraction Process			USA



SECURITY AGREEMENT

September 25, 2001

For valuable consideration OMEGATECH, INC., a Delaware corporation (hereinafter called "Debtor"), whose address is 4909 Nautilus Court North, Suite 208, Boulder, Colorado 80301, hereby assigns, conveys, mortgages, pledges, hypothecates, transfers and grants to OT LENDER PARTNERSHIP, a Colorado general partnership, whose address is 421 Mountain View Road, Boulder, Colorado 80302 (hereinafter referred to as "Secured Party"), a first priority security interest in all of Debtor's right, title and interest in and to the following property of Debtor whether now owned or hereafter acquired (hereinafter collectively called the "Collateral"):

All personal property, wherever located and whenever acquired, including without limitation, accounts, accounts receivable, as-extracted collateral, chattel paper (including tangible and electronic chattel paper), documents, contract rights, rights to licenses and to royalties, fees and other proceeds thereof, deposit accounts, equipment, fixtures, general intangibles, goods, instruments, inventory, investment property, letters-of-credit, letter of credit rights, payment intangibles, promissory notes, all intellectual property, including, but not limited to software (whether copyrighted or not) and all enhancements, modifications and derivatives thereof, copyright rights, copyright applications, patents, patent applications, trademarks and servicemarks and applications therefor, trade secrets, license rights, copyrighted material and the goodwill associated therewith, all supporting obligations, all books and records in any medium with respect to the foregoing and, to the extent not otherwise included, all proceeds and products of, and all accessions to, and substitutions and replacements for, any and all of the foregoing (including cash and non-cash proceeds and the proceeds of any and all insurance),

The security interest in the Collateral shall secure the payment and performance of all the obligations of Debtor under that certain Secured Promissory Note (the "Note") dated as of the date hereof by and between the Debtor and Secured Party, the related Note and Warrant Subscription Agreement ("Note Agreement") and the other Transaction Documents as defined in the Note Agreement by Secured Party to Borrower (hereinafter called "Obligations"), it being acknowledged and agreed that the "Obligations" shall include extensions of credit under the Note, whether outstanding on the date of this Agreement or extended from time to time after the date of this Agreement. Notwithstanding anything herein to the contrary, Collateral shall not include, and the Debtor shall not be deemed to have granted a security interest in any of the Debtor's rights or interests in any license, contract or agreement to which the Debtor is a party or any of its rights or interests thereunder to the extent, but only to the extent that such a grant would, under the terms of such license, contract or agreement or otherwise, result in a breach of the terms of, or constitute a default under, any license, contract or agreement to which the Debtor

is a party. Notwithstanding the foregoing, Debtor acknowledges that the Collateral constitutes "all personal property" of the Debtor for purposes of the description of Collateral on any financing statement.

A. Debtor Remains Liable. It is expressly agreed by Debtor that, anything herein to the contrary notwithstanding, Debtor shall remain liable under each of its agreements included in the Collateral to observe and perform all the conditions and obligations to be observed and performed by it thereunder and Debtor shall comply and perform with or pursuant to the terms and provisions of each such agreement. Secured Party shall not have any obligation or liability under any agreement included in the Collateral by reason of or arising out of this Agreement or the other Transaction Documents or the granting of the security interest herein or the receipt by the Secured Party of any payment relating to any agreement included in the Collateral pursuant hereto, nor shall the Secured Party be required or obligated in any manner to perform or fulfill any of the obligations of the Debtor under or pursuant to any agreement included in the Collateral, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any agreement included in the Collateral, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

B. Filings. The Debtor authorizes Secured Party to file financing statements and other filing or recording documents with respect to the Collateral (including any amendments thereto, or continuation or termination statements thereof), without the signature or other authorization of the Debtor, in such form and in such offices as Secured Party reasonably determines appropriate to perfect or maintain the perfection of the security interest of Secured Party hereunder. The Debtor acknowledges and agrees that it is not authorized to, and will not, file financing statements or other filing or recording documents with respect to the Collateral (including any amendments thereto, or continuation or termination statements thereof), without the express prior written approval by Secured Party, consenting to the form and substance of such filing or recording document. The Debtor approves, authorizes and ratifies any filings or recordings made by or on behalf of Secured Party in connection with the perfection of the security interest in favor of the Secured Party. The Debtor agrees that upon request of the Secured Party, the Debtor will promptly execute all such documents as may be reasonably necessary or appropriate to effect the foregoing.

I. REPRESENTATIONS AND WARRANTIES

The Debtor makes the following representations and warranties to the Secured Party:

A. Organization and Offices. Debtor is a corporation organized solely under the laws of the State of Delaware, and no other state or jurisdiction, and as to which such state must maintain a public record showing the corporation to have been organized. Debtor represents and warrants that its chief executive office is located at 4909 Nautilus Court North, Suite 208, Boulder, Colorado 80301, and that the Collateral will at all times be located at that address or elsewhere in Colorado or, regarding certain office equipment and fixtures, in the offices of the Debtor located at OmegaTech GmbH, Mikroforum Ring 2, D-55234, Wendelsheim, Germany.

B. No Financing Statements. No financing statement describing all or any portion of the Collateral which has not lapsed or been terminated has been filed in any jurisdiction except financing statements naming the Secured Party as secured party.

C. License Agreements. Each license agreement that forms a part of the Collateral (individually a "License Agreement" and collectively the "License Agreements") constitutes a legal, valid and binding obligation of each party thereto, enforceable by and against such party in accordance with its terms, except to the extent limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium and similar laws of general application related to the enforcement of creditor's rights generally and (b) general principles of equity. No party thereto is in default, and to the knowledge of the Debtor there is not any basis for a valid claim of default, and to the Debtor's knowledge no event has occurred which, with notice or lapse of time, would constitute a default, under such License Agreements, and to the knowledge of the Debtor no party thereto is in default under any such License Agreement.

D. Collateral. The Debtor has good and marketable title to the Collateral, free and clear of any lien, security interest, pledge, assignment, encumbrance or other interest of any third party, except the security interest created by this Agreement and except for the rights of any licensors or lessors of such Collateral ("Permitted Liens"). The Debtor has all requisite power and authority to pledge and grant the security interest in the Collateral for the purposes contemplated in this Agreement and to create a first lien on the Collateral in favor of the Secured Party and this Agreement, together with any filings required to be made, shall create a valid first lien upon and perfected first priority security interest in the Collateral subject to no prior security interest, lien, encumbrance or other restriction other than any applicable Permitted Liens. This Agreement, when executed, has been duly and validly executed and is the legal, valid and binding obligation of the Debtor and is enforceable against the Debtor by the Secured Party in accordance with its terms except to the extent limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium and similar laws of general application related to the enforcement of creditor's rights generally and (b) general principles of equity.

E. Claims. The Collateral is not the subject of any present or threatened suit, action, arbitration, administrative or other proceeding, and the Debtor is not aware of the institution of any such proceedings. No authorization, approval or other action by, and no notice to or filing (other than the required filings contemplated herein) with, any governmental authority or regulatory body is required either (i) for the pledge by the Debtor of the Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by the Debtor or (ii) for the exercise by the Secured Party of any remedies with respect to the Collateral.

II. COVENANTS

The Debtor hereby covenants and agrees that from the date of this Agreement and thereafter until this Agreement and the other Transaction Documents are terminated:

A. Corporate Changes. Debtor shall not move the Collateral, change its form or jurisdiction of organization, merge with another entity or relocate its chief executive office, consolidate, sell or dispose of all or substantially all of its assets, without the prior written consent of Secured Party and the prior filing of a financing statement with the proper office and

in the proper form to perfect or continue the perfection of the security interests (without loss of priority) created herein which filing shall be satisfactory in form, substance and location to Secured Party prior to such filing.

B. Payments and Insurance. Debtor shall pay and discharge all taxes, assessments and charges or levies against the Collateral prior to delinquency thereof. Debtor, at its own expense, shall have and maintain insurance at all times with respect to all Collateral against such risks and liabilities, with such carrier and in such amounts as Secured Party may reasonably require. Secured Party shall be an additional insured with respect to all risk and liability insurance. All other insurance shall provide that Secured Party and Debtor are joint loss payees as their interests may appear and shall not be subject to cancellation or reduction in coverage without thirty (30) days' prior written notice to Secured Party. Debtor shall supply certificates of such insurance to Secured Party upon request.

C. No Disposition of Collateral. Debtor shall not sell, convey, assign (by operation of law or otherwise), exchange or otherwise voluntarily or involuntarily transfer or dispose of any interest in the Collateral (other than obsolete assets, trade-ins and other than in the ordinary course of business and upon fair consideration) or any portion thereof or encumber, or hypothecate, or create, incur or permit to exist any pledge, mortgage, lien, security interest, charge, encumbrance or adverse claim upon or other interest in or with respect to any of the Collateral without the prior written consent of the Secured Party, which consent will not be unreasonably withheld, or as otherwise provided for in the Note Agreement. All proceeds of any sale or disposition of the Collateral shall be paid to the Secured Party.

D. Records and Reports. The Debtor will maintain books and records with respect to the Collateral, and furnish to the Secured Party such reports relating to the Collateral as the Secured Party shall from time to time reasonably request.

E. Financing Statements and Other Actions. The Debtor will execute and deliver to the Secured Party, and authorizes the filing of, all financing statements and amendments thereto and other documents, and such other actions, as are from time to time reasonably requested by the Secured Party in order to perfect and to maintain and protect the validity, enforceability and perfected status of the first priority perfected security interest in the Collateral or to enable the Secured Party to exercise and enforce its rights and remedies hereunder with respect to the Collateral. The Debtor will not sign or authorize the filing on its behalf of any financing statement naming it as debtor which covers all or any portion of the Collateral, except financing statements naming the Secured Party as secured party.

F. Defense. The Debtor will defend at its sole expense, the Secured Party's right, title and security interest in and to the Collateral against the claims of any person, firm, corporation or other entity.

G. Company Acknowledgment. The Debtor acknowledges and agrees that the Debtor shall recognize and respect Secured Party in its capacity as lender under the Secured Promissory Note, separately and distinctly from the status of Secured Party, or any of its constituent partners, as an officer, director, employee, stockholder, warrant holder, or other affiliate of the Debtor. The benefits and protections in favor of Secured Party, in its capacity as a

lender under the Secured Promissory Note, Security Agreement, and Note and Warrant Subscription Agreement (collectively, the "Loan Documents") shall not be in any way affected, increased, or diminished by reason of the participation of Secured Party, or any of its constituent partners, as an officer, director, employee, stockholder, warrant holder, or other affiliate of the Debtor. Likewise, none of the benefits and protections in favor of Secured Party, or any of its constituent partners, as an officer, director, employee, stockholder, warrant holder, or other affiliate of the Debtor shall be in any way affected, increased, or diminished by reason of Secured Party's agreements as entered into under the Loan Documents.

Notwithstanding anything contained in the Transaction Documents, the Debtor hereby acknowledges and agrees that Secured Party (including any or all of its constituent partners) has absolutely no obligation whatsoever to the Debtor

(i) to amend, alter, or modify the terms and conditions of the Loan Documents (including to agree to any extension of the maturity date of the Secured Promissory Note or any extension of any applicable grace period contained in the Loan Documents), or to refrain from exercising any remedies available to Secured Party under the Loan Documents, or at law or in equity, if the Debtor fails to observe and perform its obligations under the Loan Documents, or

(ii) to initiate, consent to, or approve of any refinancing of the indebtedness evidenced by the Loan Documents or to secure any such refinancing on behalf of the Debtor. In furtherance of the foregoing, Secured Party shall be treated as, and shall be entitled to, all of the rights and privileges of a third-party secured creditor of the Debtor, and the Loan Documents shall be honored by and enforceable against the Debtor pursuant to their terms.

In addition, Secured Party (including any or all of its constituent partners) shall have no fiduciary duty to the Debtor with respect to the Loan Documents and the enforcement of any and all rights that Secured Party may have under the Loan Documents. To the extent permitted by applicable law, the Debtor hereby waives any claim which it may now have or hereafter have, based upon any alleged fiduciary obligation of Secured Party in connection with any of its rights under the Loan Documents.

H. Intellectual Property Covenants. The Debtor shall:

(i) consistent with commercially reasonable practices, prosecute diligently any necessary patent, trademark or copyright application, as determined in the Debtor's sole discretion, which is pending as of the date of this Agreement or hereafter and otherwise maintain all rights in and to the intellectual property necessary, as determined in the Debtor's sole discretion, for the Debtor's business, including making all necessary filings and recordings and paying all required fees and taxes to record and maintain its registration and ownership of all such intellectual property;

(ii) not impair in any material respect any of the Secured Party's rights of action described herein, and not waive any provision of the License Agreements without the written consent (which shall not be unreasonably withheld) of the Secured Party;

(iii) advise Secured Party of any subsequent ownership right of Debtor in or to any trademark, patent or copyright not owned at the time of this Agreement;

(iv) register the most recent version of any of Debtor's copyrights, if not so already registered, and, from time to time, execute and file such other instruments, and take such further actions as Secured Party may reasonably request from time to time to perfect or continue the perfection of Secured Party's interest in the Collateral, at Debtor's sole expense;

(v) consistent with commercially reasonable practices, Debtor shall not permit the inclusion in any contract to which it becomes a party of any provisions that could or might in any way impair or prevent the creation of a security interest in Debtor's rights and interests in any property included within the definition of the Collateral acquired under such contracts;

(vi) upon any officer or director of Debtor obtaining knowledge thereof, Debtor will notify Secured Party of any event that materially adversely affects the value of any of the Collateral, the ability of Debtor or Secured Party to dispose of any of the Collateral or the rights and remedies of Secured Party in relation thereto, including the levy of any legal process against any of the Collateral; and

(vii) upon an Event of Default, except as otherwise provided for in the Note Agreement, not grant any new or more extensive license to any person of any of Debtor's intellectual property, without the prior written consent of Secured Party.

III. INSPECTION AND VERIFICATION

Secured Party shall have the right, upon reasonable advance notice and at such reasonable times as may be requested by the Secured Party, to enter into and upon any premises where any of the Collateral or records with respect thereto are located for the purpose of inspecting the same, performing an audit, making copies of records, observing the use of any part of the Collateral, protecting Secured Party's security interest in the Collateral (including discussing Debtor's affairs with the officers of Debtor and their independent auditors) or otherwise determining whether Debtor is in compliance with the terms of this Agreement.

IV. EVENTS OF DEFAULT

The occurrence of an Event of Default as defined in the Note Agreement shall constitute an Event of Default under this Agreement.

V. REMEDIES UPON DEFAULT

A. Remedies Upon Default. Upon the occurrence and during the continuance of an Event of Default, Secured Party, at its option and in its sole, absolute and subjective discretion, and without notice or demand, may exercise and shall have any and all rights and remedies accorded to Secured Party under this Agreement or otherwise by the Colorado Uniform Commercial Code and/or any other governing law, including, without limitation, Secured Party may retain the Collateral in satisfaction of the obligation or sell the Collateral at public or private sale in accordance with the Colorado Uniform Commercial Code or any other applicable statute. If any notification of disposition of all or any portion of the Collateral is required by law, such

notification shall be deemed reasonably and properly given if mailed at least ten (10) days prior to such disposition, postage prepaid to the Debtor at its last address appearing on the records of Secured Party by registered or certified mail, return receipt requested.

B. Specific Performance. The Debtor agrees that, in addition to all other rights and remedies granted to the Secured Party in this Agreement, the Secured Party shall be entitled to specific performance and injunctive and other equitable relief, and the Debtor further agrees to waive any requirement for the securing or posting of any bond or other security in connection with the obtaining of any such specific performance and injunctive or other equitable relief.

C. Debtor's Obligations Upon Event of Default. Upon the request of the Secured Party after the occurrence of an Event of Default, the Debtor will promptly:

Assemble and make available to the Secured Party the Collateral and all records relating thereto at the Debtor's principal place of business.

Permit the Secured Party, or the Secured Party's representatives, with or without judicial process or the aid or assistance of others, to enter any premises where all or any part of the Collateral, or the books and records relating thereto, or both, are located, to take possession of all or any part of the Collateral and to remove all or any part of the Collateral, to complete the provision of any services giving rise to any Collateral or take actions as Secured Party shall deem necessary to preserve and protect any Collateral.

D. Remedies Cumulative. All rights, powers and remedies contained in this Agreement or afforded by law shall be cumulative and all shall be available to the Secured Party until the Obligations have been paid in full.

E. Application of Funds Received. The proceeds of Collateral whether received prior to or after the occurrence of an Event of Default shall be applied as follows:

1. First, to the payment of all costs, expenses, attorneys' fees, taxes and charges incurred by the Secured Party in connection with collection of any sum and foreclosure on Collateral, whether accruing prior to, or after the commencement of any bankruptcy case or similar proceedings; and

2. Second, to such other persons (including, without limitation, the Debtor) as shall be legally entitled thereto.

VI. WAIVERS, AMENDMENTS AND REMEDIES

No delay or omission of the Secured Party to exercise any right, power or remedy granted under this Agreement shall impair such right, power or remedy or be construed to be a waiver of any Event of Default or an acquiescence therein, and any single or partial exercise of any such right, power or remedy shall not preclude other or further exercise thereof or the exercise of any

other right, power or remedy, and no waiver, amendment or other variation of the terms, conditions or provisions of this Agreement whatsoever shall be valid unless signed by each of the parties hereto, and then only to the extent specifically set forth in such writing.

VII. GENERAL PROVISIONS

A. Secured Party Performance of Debtor Secured Liabilities. Upon the occurrence of an Event of Default or an event which, upon the lapse of time or the giving of notice, or both, would constitute an Event of Default, without having any obligation to do so, the Secured Party may, upon notice to the Debtor, perform or pay any obligation which the Debtor has agreed to perform or pay in this Agreement but has not performed or paid and the Debtor shall reimburse the Secured Party for any amounts paid or incurred pursuant to such performance or payment.

B. Authorization for Secured Party To Take Certain Action.

1. The Debtor irrevocably authorizes the Secured Party at any time and from time to time in the sole discretion of the Secured Party, and irrevocably appoints the Secured Party as its attorney-in-fact to act on behalf of the Debtor, in the name of the Debtor or otherwise, from time to time in the Secured Party's discretion, to take any action and to execute any instrument which the Secured Party may deem reasonably necessary or advisable to accomplish the purposes of this Agreement, including without limitation (a) to execute on behalf of the Debtor and to file financing statements necessary or desirable in the Secured Party's sole discretion to perfect and to maintain the perfection and priority of the Secured Party's security interest in the Collateral; (b) to endorse, deposit and collect any cash and other proceeds of the Collateral; (c) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Collateral as a financing statement in such offices as the Secured Party in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Secured Party's security interest in the Collateral; (d) to enforce payment of the License Agreements in the name of the Secured Party or the Debtor; (e) to cause the proceeds of any Collateral received by the Secured Party to be applied to the Obligations; (f) to send requests for verification of any Collateral or any proceeds therefrom; and (g) to do all things necessary to carry out this Agreement.

2. Following acceleration of the Obligations, the Debtor irrevocably authorizes the Secured Party at any time and from time to time in the sole discretion of the Secured Party, and irrevocably appoints the Secured Party as its attorney-in-fact to act on behalf of the Debtor, in the name of the Debtor or otherwise, from time to time in the Secured Party's discretion, to take any of the following actions: (a) to sign the Debtor's name on any invoice or bill of lading relating to any Collateral, including any schedules and assignments of such Collateral, on notices of assignment, financing statements and other public records, on verifications of accounts and on notices to licensees; (b) to grant or issue any exclusive or nonexclusive license under the Collateral to any Person, to the extent consistent with the terms of the License Agreements, and (c) to assign, pledge, convey or otherwise transfer title in or to or dispose of the Collateral to anyone, including without limitation, to make assignments, recordings, registrations and applications therefor in the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency of the United States, any State thereof or any other country or political subdivision thereof, and to execute and deliver

any and all agreements, documents, instruments of assignment or other papers necessary or advisable to effect any of the foregoing or the recordation, registration, filing or perfection thereof.

3. The Debtor ratifies and approves all acts of such attorney-in-fact. The Secured Party will not be liable for any acts or omissions except those determined pursuant to a final, non-appealable order of a court of competent jurisdiction to have resulted solely from the Secured Party's gross negligence or willful misconduct. The power conferred on the Secured Party hereunder is solely to protect its interests in the Collateral and shall not impose any duty upon the Secured Party to exercise such power. This power, being coupled with an interest, is irrevocable.

VIII. MISCELLANEOUS

A. Security Interest Absolute. Except as required by applicable law, all rights of the Secured Party hereunder, the security interest granted hereby, and all obligations of the Debtor hereunder, shall be absolute and unconditional irrespective of (a) any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any other agreement or instrument, (c) any exchange, release or non-perfection of any other Collateral, or any release, amendment or waiver of, or consent to or departure from, any guaranty for all or any of the Obligations, or (d) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Debtor in respect of the Obligations or in respect of this Agreement.

B. Secured Party's Fees and Expenses; Indemnification Fees and Expenses. The Debtor agrees to pay upon demand to the Secured Party the amount of all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts of the Secured Party, which the Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Secured Party hereunder, or (iv) the failure by the Debtor to perform or observe any of the provisions hereof.

C. Indemnification. Without limitation of its indemnification obligations under the Note Agreement or the other Transaction Documents, the Debtor agrees to indemnify the Secured Party against, and defend and hold them harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable fees, disbursements and other charges of counsel, incurred by or asserted against any of them arising out of, in any way connected with, or as a result of, the execution, delivery or performance of this Agreement or any claim, litigation, investigation or proceeding relating hereto or to the Collateral, whether or not the Secured Party is a party thereto; provided that such indemnity shall not, as to the Secured Party, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of Secured Party. Any such amounts payable as provided hereunder shall be additional Obligations secured by this Agreement. The provisions of this Indemnification section shall remain operative and in full

force and effect regardless of the termination of this Agreement, the consummation of the transactions contemplated hereby, the invalidity or unenforceability of any term or provision of this Agreement, or any investigation made by or on behalf of the Secured Party. All amounts due under this section shall be payable on written demand therefor and shall bear interest at the rate of 12% per annum from the date incurred by the Secured Party until paid in full. If fulfillment of any provision hereof shall be deemed by a court of competent and final jurisdiction to violate any applicable usury restrictions then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such highest lawful rate, and any amount received in excess of such limit and shall be applied to reduce the unpaid principal balance under any obligation of Debtor to Secured Party and not to the payment of interest.

D. Binding Agreement; Assignments. This Agreement, and the terms, covenants and conditions hereof, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Secured Party may assign its rights and obligations under this Agreement by notifying Debtor of such assignment and providing Debtor with a copy of such assignment, provided that such assignment is concurrently with assignment of Note to such assignee. Debtor shall not be permitted to assign this Agreement or any interest herein or in the Collateral or any part thereof, or otherwise pledge, encumber or grant any option with respect to the Collateral or any part thereof, or any cash or property held by the Secured Party as Collateral under this Agreement, except as contemplated by this Agreement and the Transaction Documents.

E. GOVERNING LAW AND CONSENT TO JURISDICTION. THE VALIDITY, CONSTRUCTION AND EFFECT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF COLORADO, WITHOUT REGARD TO ITS CHOICE OF APPLICABLE LAW PRINCIPLES.

ANY ACTION OF ANY TYPE OR NATURE WHATSOEVER WITH RESPECT TO THIS AGREEMENT, WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE, SHALL BE BROUGHT IN DISTRICT COURT FOR THE CITY AND COUNTY OF BOULDER, COLORADO OR U.S. DISTRICT COURT FOR THE DISTRICT OF COLORADO IN DENVER, AND THE DEBTOR ACCEPTS FOR ITSELF AND ITS ASSETS AND PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS.

THE DEBTOR WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION IN ANY SUCH JURISDICTION.

F. LIMITATION ON LIABILITY. NEITHER THE SECURED PARTY NOR THE DEBTOR SHALL HAVE ANY LIABILITY UNDER OR IN CONNECTION WITH THIS AGREEMENT FOR SPECIAL, EXEMPLARY, PUNITIVE, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES OF ANY SORT IN ANY ACTION OF ANY TYPE OR NATURE WHATSOEVER IN CONNECTION WITH THIS AGREEMENT OR IN ANY WAY RELATED TO THE NOTES, THE COLLATERAL OR THE ADMINISTRATION OR

ENFORCEMENT THEREOF AND, EXCEPT TO THE EXTENT PROHIBITED BY LAW, THE SECURED PARTY AND THE DEBTOR WAIVE ANY RIGHT THEY MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH ACTION ANY SPECIAL, EXEMPLARY, PUNITIVE, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES OF ANY SORT OTHER THAN ACTUAL DAMAGES.

G. WAIVER OF JURY TRIAL. THE DEBTOR AND THE SECURED PARTY WAIVE ANY RIGHT TO TRIAL BY JURY WITH REGARD TO ANY ACTION OF ANY TYPE OR NATURE WHATSOEVER UNDER OR CONCERNING THIS AGREEMENT OR IN ANY WAY RELATED TO THE NOTES, THE COLLATERAL OR THE ADMINISTRATION OR ENFORCEMENT THEREOF.

H. Notices. All communications and notices hereunder shall be in writing and given as provided in the Note Agreement.

I. Severability. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, no party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal and unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

J. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument.

K. Termination. This Agreement and the security interest granted hereby shall terminate only after all the Obligations have been indefeasibly paid in full, at which time the Secured Party shall execute and deliver to the Debtor all Uniform Commercial Code termination statements and similar documents prepared by the Debtor which the Debtor shall reasonably request to evidence such termination.

Notwithstanding anything to the contrary contained in this Agreement, this Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against the Debtor for liquidation or reorganization, should the Debtor become insolvent or make an assignment for any benefit of creditors or should a receiver or trustee be appointed for all or any significant part of the Debtor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the obligations, whether as a "voidable preference," "fraudulent conveyance" or otherwise, all as though such payment, or any part thereof, is rescinded, reduced, restored or returned.

L. Debtor, by its execution hereof, agrees that any modification or rescission of this Agreement or the other Transaction Documents shall be ineffective unless in writing and signed

by both Secured Party and Debtor. Notice of the acceptance of this Agreement by Secured Party is hereby waived by Debtor.

[Signature Page Follows]

IN WITNESS WHEREOF, the Debtor and Secured Party have caused this Security Agreement to be executed by their duly authorized representatives as of the date first set forth above.

DEBTOR:

OMEGATECH, INC.

By: Robert M. DiScipio
Robert M. DiScipio
Vice President and Secretary

SECURED PARTY:

OT LENDER PARTNERSHIP, a Colorado general partnership

By: William R. Barclay
William R. Barclay, Partner

By: Kent M. Meager
Kent M. Meager, Partner

By: _____
Norman A. Meager, Partner

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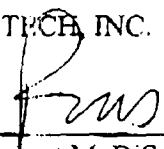
P. 04

[Signature Page to Security Agreement]

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Robert M. DiScipio
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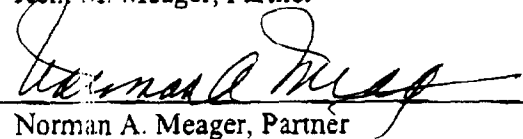
OT LENDER PARTNERSHIP, a Colorado general partnership

By: _____

William R. Barclay, Partner

By: _____

Kem M. Meager, Partner

By: 

Norman A. Meager, Partner