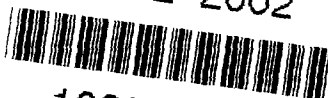


02-12-2002



102017089

Form PTO-1595
(Rev. 03/01)

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

Tap settings: ☐ ☐ ☐U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

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

1. Name of conveying party(ies):

Biomorphic VLSI, Inc.
4165 East Thousand Oaks Blvd.
Suite 180
West Lake Village, CA 91360

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

2. Name and address of receiving party(ies)

Name: See Attachment 1

Internal Address: _____

Street Address: _____

City: _____ State: _____ Zip: _____

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

3. Nature of conveyance:



Assignment



Merger



Security Agreement



Change of Name



Other: _____

Execution Date: November 14, 2001

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)

See Attachment 1B. Patent No. (s) NoneAdditional numbers attached? ☒ Yes ☐ No

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

Name: Louis Tao

Internal Address: _____

Street Address: Sonnenschein Nath & Rosenthal1301 K Street, N.W., Suite 600, East TowerCity: Washington State: DC Zip: 200056. Total number of applications and patents involved: 87. Total fee (37 CFR 3.41) \$ 320.00☒ Enclosed☐ Authorized to be charged to deposit account

8. Deposit account number:

(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.

BIMAL MATHUR

Name of Person Signing

Bimal Mathur

Signature

Feb 4th 2002

Date

Total number of pages including cover sheet, attachments, and documents: 25

Mail documents to be recorded with required cover sheet information to:

Commissioner of Patents & Trademarks, Box Assignments

Washington, D.C. 20231

02/11/2002 LMUELLER 00000161 09274424

01 FEB 2002

320.00 OP



Attachment 1
to
Recordation Form Cover Sheet

Item 2: Name and Address of receiving party(ies)

1. Macronix International Co., Ltd.
 No. 16, Li-Hsin Road
 Hsinchu Science Industrial Base Park
 Hsinchu, Taiwan
 R.O.C.

2. Chien Pang Venture Capital Corp.
 12F, No.138, Min Sheng East Road, Sec.3
 Taipei, Taiwan
 R.O.C.

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

Title	Ser. No./Pat. No.
PIXEL READ-OUT ARCHITECTURE	09/274,424
COLOR FILTER PATTERN	09/274,413
COLOR-OPTIMIZED PIXEL ARRAY DESIGN	09/697,764
COLOR SELECTION FOR SPARSE COLOR IMAGE RECONSTRUCTION	09/482,270
PIXEL SELECTIVE WHITE BALANCING	09/552,217
SYSTEM AND METHOD OF COLOR INTERPOLATION	09/482,844
HIGH SENSITIVITY PHOTODIODE	09/690,424
HIGH ACCURACY SAMPLE AND HOLD CIRCUIT FOR ARRAY READ-OUT CIRCUIT	09/625,610

CREDIT ENHANCE AND SECURITY AGREEMENT

THIS CREDIT ENHANCE AND SECURITY AGREEMENT (the "Agreement"), dated as of December 26, 2001, is entered by and between:

BIOMORPHIC VLSI, INC., a California corporation, with its principal office at 4165 E. Thousand Oaks Blvd. Suite 180 Westlake Village, CA 91362, USA ("Borrower"); and

MACRONIX INTERNATIONAL CO., LTD., a company duly incorporated under the laws of the Republic of China ("ROC") with its principal office at No. 16, Li-Hsin Road, Hsinchu Science Industrial Base Park, Hsinchu, Taiwan, the ROC. ("MXIC").

WITNESSETH

WHEREAS, the Borrower and Chien Pang Venture Capital Corp. ("Chien Pang") entered into a Loan Agreement and Security Agreement in November 2001, pursuant to which the Chien Pang loans to the Borrower, in the aggregate, USD\$300,000.00 ("Loan Agreement");

WHEREAS, the Borrower requests that MXIC provides a guarantee in the aggregate of USD\$3,400,000.00 for a period of nine (9) months, from December 26, 2001 to September 30, 2002 ("Guarantee");

WHEREAS, in order to induce MXIC to provide the Guarantee and enter into this Agreement, Borrower has agreed to grant to MXIC (i) a continuing security interest in and to the Collateral (as hereafter defined) to secure MXIC's rights arising in connection with the Guarantee and related transactions, and (ii) a preemptive rights to subscribe its stock for an amount not exceed USD\$4,420,000.00 ("Preemptive Rights").

NOW, THEREFORE, in consideration of the premises and the terms and conditions hereof, the parties hereby agree as follows:

1. **DEFINITIONS.** All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in documents executed by MXIC in connection with the Guarantee, including but not limited to the guarantee agreement to be entered into by MXIC for loan provided to Borrower, the Escrow Agreement between Borrower, MXIC, and escrow agent dated December 26, 2001 ("Escrow Agreement"). As used in this Agreement, the following terms shall have the following meanings:

- A. "Allowed Liens" shall have the meaning assigned to the term in Section 4.A. hereof.
- B. "Borrower" shall have the meaning set forth in the Introduction.
- C. "Collateral" has the meaning assigned to such term in Section 3 of this Agreement.
- D. "Event of Default" means any event specified in Section 7.A. of this Agreement.

- E. "Intellectual Property" means the patents, patent applications and other intellectual property set forth on Exhibit A attached hereto and their derivatives, improvements, upgrades, and updates.
- F. "Lenders" shall mean Chien Pang and MXIC.
- G. "Liens" shall mean any lien, claim, charge or encumbrance of any nature whatsoever.
- H. "Loan Agreement" shall have the meaning set forth in the Recitals.
- I. "Loan" shall mean any and all provided by Chien Pang or guaranteed by MXIC.
- J. "Note" shall mean the executed promissory note in form attached hereto as Exhibit B.
- K. "Secured Obligations" shall mean the obligations secured under the Note and this Agreement, including but not limited to (a) all damages, losses, costs, and liabilities of MXIC arising in connection with the Guarantee (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to bankruptcy, insolvency or reorganization of Borrower) and (b) all other amounts payable by the Borrower hereunder and under the Loan, and (c) the renewals or extensions of the foregoing, if any.

2. GUARANTEE

- A. In consideration of the Guarantee, Borrower hereby grant to MXIC the security interest and Preemptive Rights, and represents and warrants that the Allowed Lien and Preemptive Rights are valid and enforceable under the applicable laws.
- B. Subject to Sections 2.A and the approval of MXIC's board of director and terms and conditions acceptable to MXIC, MXIC agree to provide the Guarantee to the agreed financial institution.

3. GRANT OF SECURITY INTEREST.

- A. The Borrower hereby grants to MXIC a continuing security interest in the Borrower's right, title and interest in and to the following property of the Borrower:
 - (i) any and all Intellectual Property of Borrower; and
 - (ii) any and all title to the Escrow Material; and
 - (iii) to the extent not otherwise included, any and all proceeds of any of the foregoing, including, without limitation, any claims or potential claims by Borrower against third parties for infringement of the Intellectual Property or any licenses with respect thereto.

The property and interests in property described in this Section are called the "Collateral." Until all of the Secured Obligations have been fully satisfied, the security interest in the Collateral granted herein shall continue in full force and effect.

B. Upon the execution of this Agreement by the parties hereto, Borrower will execute the Escrow Agreement in form attached hereto as Exhibit C, deliver any and all Escrow Material, and authorize the attorneys designated by MXIC to file all the instruments in the federal (including the United States Patent and Trademark Office), state and local public offices that are required in order to create a valid and perfected the Allowed Lien or security interests in the Collateral.

C. The Borrower shall at its expenses do, file, record, make, execute and deliver all such acts, notices, instruction, statements and other documents necessary or advisable to perfect, preserve or otherwise protect the security interest of MXIC in the Collateral or any part thereof or to give effect to the rights, powers and remedies of MXIC hereunder.

4. REPRESENTATIONS AND WARRANTIES OF BORROWER. Borrower represents, warrants and covenants with and to MXIC that on the date of this Agreement (all of such representations, warranties and covenants being continuing so long as any of the obligations hereunder are outstanding):

A. Borrower has title to the Collateral free and clear of any and all Liens, except for the Liens granted or allowed under this Agreement or the Loan Agreement (the "Allowed Liens").

B. Borrower will at its own expense, perform all acts and execute all documents reasonably requested at any time by MXIC, or its counsel to evidence, perfect, maintain, record, or enforce the security interest in the Collateral granted hereunder or to otherwise further the provisions of this Agreement.

C. Borrower will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien on the Collateral except the Allowed Liens, and will take all reasonable action to defend the right, title and interest of Lenders in and to any of Borrower's rights in the Collateral against the claims and demands of all persons whomsoever.

D. Borrower will not assign, sell, mortgage, lease, transfer, pledge, hypothecate, grant a security interest in or Lien upon, encumber, grant license relating to the Collateral or otherwise dispose of any of the Collateral without the prior written consent of MXIC.

E. Borrower shall offer and issue the agreed shares for MXIC's subscription on or prior to August 31, 2002.

5. APPOINTMENT OF MXIC AS ATTORNEY-IN-FACT.

- A. Borrower hereby irrevocably constitutes and appoints MXIC, and any of its officers or agents thereof, with full power of substitution, as its true and lawful attorneys-in-fact with full irrevocable power and authority and in the name of Borrower or in their own names, from time to time in MXIC's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement.
- B. MXIC agrees that, except upon the occurrence and during the continuation of an Event of Default, it will not exercise the power of attorney or any rights granted pursuant to this Section. Borrower hereby ratifies, to the extent permitted by law, all that such attorneys lawfully do or cause to be done by virtue hereof. The power of attorney granted pursuant to this Section is a power coupled with an interest and shall be irrevocable until the Secured Obligations are fully complied with and indefeasibly paid in full.
- C. The powers conferred on MXIC hereunder are solely to protect MXIC's interests in the Collateral and shall not impose any duty upon it to exercise any such powers. MXIC shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither MXIC nor any of its officers, directors, employees or agents shall be responsible to Borrower for any act or failure to act, except for their gross negligence or willful misconduct.

6. PERFORMANCE BY MXIC OF BORROWER'S OBLIGATIONS.

If Borrower fails to perform or comply with any of its agreements or obligations under this Agreement, Borrower shall pay to MXIC on demand the losses, damages, and liabilities arising in connection with the failure of the Borrower, including but not limited to interests accrued thereon, from the date incurred, at the Default Rate. Any such expenses incurred and interest accrued shall constitute part of the Secured Obligations.

7. EVENTS OF DEFAULT; REMEDIES, RIGHTS UPON DEFAULT.

- A. The occurrence of any of the following events shall constitute an Event of Default under this Agreement:
 - (i) the occurrence or continuance of an Event of Default as defined under Article V, Section 9 of the Note as defined in the Loan Agreement; or
 - (ii) a breach by Borrower of any term of this Agreement after Borrower failure to cure within fifteen (15) days after such breach.
- B. Upon an Event of Default, MXIC may declare the Secured Obligations to be, and the Secured Obligations shall forthwith become, immediately due and payable without presentment, demand, protest or notice of any kind, except as such notice or consent is expressly provided for hereunder, all of which are expressly waived by Borrower, and MXIC shall have, subject to Section

7.C. hereof, in addition to all other rights provided herein and other agreement(s) between the parties hereto and/or other, the following rights:

- (i) MXIC shall have rights to prohibit the Borrower from using any and all of the Intellectual Property for any purpose whatsoever.
- (ii) MXIC and/or its designatee shall have full rights to use any and all Intellectual Property and the Collateral.
- (iii) MXIC is authorized to grant the license or sublicense to any third party any and all rights of the Intellectual Property or Collateral for such term or terms, on such conditions, in such manner, as MXIC shall in their discretion deem appropriate. Such license or licenses may be general, special, or otherwise, any may be granted on an exclusive or non-exclusive basis throughout all or any part of the United States of America, its territories and possessions, and all foreign countries.
- (iv) MXIC is entitled to assign, sell, or otherwise dispose of the Intellectual Property or Collateral or any part thereof, either with or without special conditions or stipulations except that if notice to Borrower of intended disposition of the Intellectual Property or Collateral is required by law, the giving of five (5) days prior written notice to Borrower of any proposed disposition shall be deemed reasonable notice thereof and Borrower waives any other notice with respect thereto. MXIC shall have rights to the title and ownership of the Intellectual Property and/or the Collateral or any part thereof, and MXIC shall also have the power, and the Borrower shall have the obligation or duty to cooperate with MXIC, to execute assurances and perform all other acts which MXIC may, in its discretion, deem appropriate or proper to complete such assignment, sale or disposition. In any such event, Borrower shall be liable for any deficiency.
- (v) In addition to the foregoing, in order to implement the assignment, sale or other disposition of any of the Intellectual Property or Collateral under this Agreement, MXIC may at any time execute and deliver on behalf of Borrower, pursuant to the authority granted in Section 5 hereof, one or more instruments of assignment of the Intellectual Property (or any application, registration, or recording relating thereto), in form suitable for filing, recording, or registration. Borrower agrees to pay MXIC on demand all costs incurred in any such transfer of the Intellectual Property or Collateral, including, but not limited to, any taxes, fees, and reasonable attorneys' fees and legal expenses.
- (vi) MXIC may first apply the proceeds actually received from any such license, assignment, sale, or other disposition of the Intellectual Property or Collateral to the costs and expenses thereof, including, without limitation, reasonable attorneys' fees and legal expenses, and other expenses which are actually incurred by MXIC or its agent(s) or counsel (s). Thereafter, MXIC shall apply any remaining proceeds to the Secured Obligations. Borrower shall remain liable to MXIC for any expenses or

obligations remaining unpaid after the application of such proceeds, and Borrower will pay MXIC on demand any such unpaid amount, together with interest at a rate equal to the highest rate then payable on the Secured Obligations pursuant to the Note or the applicable laws.

- (vii) Nothing contained therein shall be construed as requiring MXIC to take any such action at any time. All of MXIC's rights and remedies, whether provided under law, this Agreement, the Escrow Agreements, the Note or otherwise, shall be cumulative and none is exclusive. Such rights and remedies may be enforced alternatively, successively, or concurrently.

8. MISCELLANEOUS PROVISIONS.

- A. Expenses. Borrower will upon demand pay to MXIC the amount of any and all out-of-pocket expenses, including, without limitation, the reasonable fees and expenses of its counsel, which MXIC incurs in connection with the exercise or enforcement of any of its rights hereunder provided that MXIC provides Borrower the detail description of the expenses. Interest shall accrue on such expenses, from the date incurred, at an interest rate equal to the Default Rate.
- B. Notices. Any notice, demand, request or other communication which any party hereto may be required or may desire to give hereunder shall be in writing and shall be hand delivered, mailed by registered or certified mail, postage prepaid, return receipt requested, or sent by a reputable overnight courier service, addressed as set forth below, and shall be effective upon actual receipt as verified by written acknowledgment of delivery in the case of hand or overnight delivery and effective on the third business day after the day on which it is deposited in the mails, in the case of registered or certified mail:

If to MXIC:

Macronix International Co., Ltd.
No. 16, Li-Hsin Road,
Hsinchu Science Industrial Base Park,
Hsinchu, Taiwan,
the ROC.
Attention: President

If to Borrower:

Biomorphic VLSI, Inc.
4165 E. Thousand Oaks Blvd. #180
Westlake Village, CA 91362
Attention: President

or at such other address or to such other addressee as the party to be served with notice may have furnished in writing to the party seeking or desiring to serve notice as a place for the service of notice.

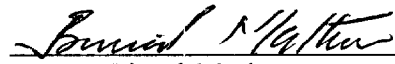
- C. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.
- D. No Waiver; Cumulative Remedies. MXIC shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by the legal representative of MXIC, and then only to the extent therein set forth. A waiver by MXIC of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which MXIC would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of MXIC any right, power or privilege hereunder, shall operate as a waiver thereof, and no single or partial exercise of any right, power or privilege hereunder shall preclude any other or future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law.
- E. Amendments. This Agreement may not be amended, modified or waived except with the written consent of MXIC and Borrower.
- F. Successors and Assigns. This Agreement and all the respective obligations of the parties hereunder shall be binding upon the successors and assigns of the parties and shall inure, together with the rights and remedies of the parties hereunder, to the benefit of such party's respective successors, transferees and assigns.
- G. Termination; Release. This Agreement shall continue in full force and effect, and the liens and all rights granted hereby, the duties, covenants and liabilities of Borrower hereunder and all the terms, conditions and provisions hereof relating thereto shall continue to be fully operative until the payment in full of the Secured Obligations. Upon the termination of this Agreement and full compliance of Borrower's obligation hereunder, MXIC, at the request and expense of Borrower, shall execute and deliver to Borrower the proper instruments acknowledging the termination of this Agreement, and will duly assign, transfer and deliver to Borrower (without any representation or warranty) such of the Collateral as may be in the possession of MXIC.
- H. Governing Law. This Agreement, and its validity, enforcement and interpretation, shall be governed by and construed, interpreted and enforced in accordance with and pursuant to the laws of the ROC.
- I. No Counterclaim, Etc. MXIC's rights and interests in the Collateral shall be absolute and subject to no counterclaim, set-off, deduction, or defense in favor of the Borrower except expressly provided hereunder.

- J. ASSIGNMENT. Without the prior written consent of the other party, each party shall not transfer any right, interest or obligation hereunder to any third party.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, each of the parties hereto has caused this Security Agreement to be executed and delivered by its duly authorized officers on the date first set forth above.

BIOMORPHIC VLSI, INC.



Name: Bimal Mathur

Title: President

MACRONIX INTERNATIONAL CO. LTD.

By: 

Name: Jieh-Ping Feng

Title: Vice President

EXHIBIT A: INTELLECTUAL PROPERTY

The intellectual property of the Borrower can be divided into the following four categories:

1. Products and/or designs for the digital still camera market listed below:

<u>Bi8602</u> – 1/3" VGA, 10-bit A/D, 5.0V power supply	Available: Now
<u>Bi8603</u> – 1/3" VGA, 10-bit A/D, 5.0V power supply	Available: Now
<u>Bi8615</u> – 1/4" VGA, 8-bit A/D, 3.3V device (0.35 um)	Available: 11, 2001
<u>Bi8801</u> – 1/2" 1 MP, 10-bit A/D, 3.3V device (0.25um)	Design completed
<u>Bi8831</u> – 1/2" 1.3 MP, 10-bit A/D, 3.3V device (0.25um)	Design completed
<u>Bi6810</u> – PC Centric Controller for Dual Mode Market	Design completed

2. Products and/or designs for the integrated information appliance market listed below:

<u>Bi6612</u> – 1/5" CIF, 8-bit A/D, 5V device	Available: Now
<u>Bi6615</u> – 1/7" CIF, 8-bit A/D, 3.3V device (0.35um)	Design in progress
<u>Bi8636</u> – 1/4" VGA, Single Chip Camera with JPEG output, (0.25u)	Design in progress
Sensor core for optical mouse	Design in progress
Firecam IEEE1394 PC Centric Camera Controller	Design in progress

3. Patent applications delivered to the Company's patent counsel or filed with the US Patent Office listed below:

- PIXEL READ-OUT ARCHITECTURE – filed 3/23/99
- COLOR FILTER PATTERN – filed 3/23/99
- COLOR SELECTION FOR SPARSE COLOR IMAGE RECONSTRUCTION – filed 1/13/00
- SYSTEM AND METHOD OF COLOR INTERPOLATION – filed 1/13/00
- PIXEL SELECTIVE WHITE BALANCING – filed 4/19/00
- HIGH ACCURACY SAMPLE AND HOLD CIRCUIT FOR ARRAY filed 7/26/00
- HIGH SENSITIVITY PHOTODIODE – filed 10/17/00
- COLOR-OPTIMIZED PIXEL ARRAY DESIGN – filed 10/26/00
- CMOS COMPATIBLE HIGH PERFORMANCE PHOTO DIODE – in process

4. Patent applications /designs which are prepared by or on behalf of the Company during the period that the Guarantee is outstanding.

EXHIBIT B: PROMISSORY NOTE

PROMISSORY NOTE

Exhibit is on file with the Borrower.

INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT (the "Agreement"), dated as of November 14, 2001, is entered by and between BIOMORPHIC VLSI, INC., a California corporation ("Borrower"), and CHIEN PANG VENTURE CAPITAL CORP., a corporation organized under the laws of Taiwan ("Chien Pang").

RECITALS

WHEREAS, Borrower and Chien Pang entered into a Loan Agreement, dated as of the date hereof, pursuant to which Chien Pang agreed to loan to Borrower, in the aggregate, \$300,000;

WHEREAS, in effort to raise additional funds for working capital purposes, the Borrower intends to borrow from the Lenders not less than \$2,500,000 (the "Loan Transaction");

WHEREAS, as additional Lenders enter into Loan Agreements in connection with the Loan Transaction, such Lenders will become a party to this Agreement; and

WHEREAS, in order to induce each Lender to enter into the Loan Agreement and accept the Note, Borrower has agreed to grant to the Lenders a continuing security interest in and to the Collateral (as hereafter defined) to secure its obligations under the Notes.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. CERTAIN DEFINED TERMS. All capitalized terms not otherwise defined herein have the meanings ascribed to them in the Notes and Loan Agreements. Unless otherwise defined herein, all terms that are defined in the Uniform Commercial Code as in effect in the State of California (the "Code") have the same meanings herein as in the Code. As used in this Agreement, the following terms shall have the following meanings:

A. "Allowed Liens" shall have the meaning assigned to the term in Section 3.A. hereof.

B. "Borrower" shall have the meaning set forth in the Introduction.

C. "Collateral" has the meaning assigned to such term in Section 2 of this Agreement.

D. "Event of Default" means any event specified in Section 6.A. of this Agreement.

E. "Intellectual Property" means the patents, patent applications and other intellectual property set forth on Exhibit A attached hereto.

F. "Lender" and "Lenders" shall mean Chien Pang and other lenders who enter into a Loan Agreement in connection with the Loan Transaction and who agree to be bound by the terms of this Agreement. The Lenders are listed on Schedule 1 which may

be amended from time to time to include additional Lenders. Until other lenders become a party to this Agreement, the term "Lender" shall mean exclusively Chien Pang.

G. "Liens" shall mean any lien, claim, charge or encumbrance of any nature whatsoever.

H. "Loan Agreement" or "Loan Agreements" shall mean the loan agreements entered into between the Company and each Lender in connection with the Loan Transaction.

I. "Majority of the Lenders" shall mean Lenders who have loaned to Borrower, in the aggregate, at least a majority of the total principal amount of loan outstanding at such time. Until other lenders become a party to this Agreement, the term "Majority of the Lenders" shall mean exclusively Chien Pang.

J. "Note" and "Notes" shall mean the promissory note or promissory notes issued and delivered by Borrower to each Lender in the amount set forth across from each Lender's name on Schedule 1 attached hereto as may be amended from time to time to include additional Lenders; and

K. "Secured Obligations" means the obligations secured under this Agreement including (a) all principal of and interest (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to bankruptcy, insolvency or reorganization of Borrower) on the Notes issued, and (b) all other amounts payable by the Borrower hereunder or under the Notes and (c) any renewals or extensions of any of the foregoing.

2. GRANT OF SECURITY INTEREST.

A. As security for the prompt and complete payment and performance when due of all of the Secured Obligations, the Borrower hereby grants the Lenders a continuing security interest in the Borrower's right, title and interest in and to the following property of the Borrower:

- (i) all Intellectual Property of Borrower; and
- (ii) to the extent not otherwise included, any and all proceeds of any of the foregoing, including, without limitation, any claims by Borrower against third parties for infringement of the Intellectual Property or any licenses with respect thereto.

The property and interests in property described in this Section are called the "Collateral." Until all of the Secured Obligations have been fully satisfied, the security interest in the Collateral granted herein shall continue in full force and effect.

B. Promptly following the execution of this Agreement by the parties hereto, Borrower will file all the appropriate financing statements and other instruments in the federal (including the United States Patent and Trademark Office), state and local public

offices that are required in order to create a valid and perfected Lien on and perfected security interests in the Collateral to the extent such security interests can be perfected by such filing, subject only to Allowed Liens.

C. Each Lender hereby consents to additional Lenders becoming a party to this Agreement at the time such Lenders enter into the Loan Agreements provided however, the consent of the Lenders hereunder shall not apply to employees of the Company who participate in the Loan Transaction.

3. REPRESENTATIONS AND WARRANTIES OF BORROWER. Borrower represents, warrants and covenants with and to Lenders that on the date of this Agreement (all of such representations, warranties and covenants being continuing so long as any of the Secured Obligations are outstanding):

A. Borrower has title to the Collateral free and clear of any and all Liens, except for the Liens granted or allowed under this Agreement or the Loan Agreement (the "Allowed Liens").

B. Borrower will, at Borrower's expense, perform all acts and execute all documents reasonably requested at any time by Lenders to evidence, perfect, maintain, record, or enforce the security interest in the Collateral granted hereunder or to otherwise further the provisions of this Agreement. Promptly following the date of this Agreement, Borrower will cause a financing statement to be filed with the Secretary of State of the State of California.

C. Borrower will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien on the Collateral except Allowed Liens, and will take all reasonable action to defend the right, title and interest of Lenders in and to any of Borrower's rights in the Collateral against the claims and demands of all persons whomsoever.

D. Borrower will not assign, sell, mortgage, lease, transfer, pledge, hypothecate, grant a security interest in or Lien upon, encumber, grant an exclusive license relating to the Collateral or otherwise dispose of any of the Collateral without the prior written of a Majority of the Lenders.

4. APPOINTMENT OF LENDERS AS ATTORNEY-IN-FACT.

A. Borrower hereby irrevocably constitutes and appoints Lenders and any officers or agents 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 Borrower and in the name of Borrower or in their own names, from time to time in Lenders' discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement.

B. Lenders agrees that, except upon the occurrence and during the continuation of an Event of Default, Lenders will not exercise the power of attorney or any rights

granted to Lenders pursuant to this Section. Borrower hereby ratifies, to the extent permitted by law, all that such attorneys lawfully do or cause to be done by virtue hereof. The power of attorney granted pursuant to this Section is a power coupled with an interest and shall be irrevocable until the Secured Obligations are indefeasibly paid in full.

C. The powers conferred on Lenders hereunder are solely to protect Lenders' interests in the Collateral and shall not impose any duty upon it to exercise any such powers. Lenders shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither Lenders nor any of its officers, directors, employees or agents shall be responsible to Borrower for any act or failure to act, except for their gross negligence or willful misconduct.

5. PERFORMANCE BY LENDER OF BORROWER'S OBLIGATIONS.

If Borrower fails to perform or comply with any of its agreements contained herein and a Lender, as provided for by the terms of this Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, Borrower shall pay to such Lender on demand the reasonable out-of-pocket expenses of such Lender incurred in connection with such performance or compliance, together with interest accrued thereon, from the date incurred, at the Default Rate. Any such expenses incurred and interest accrued shall constitute part of the Secured Obligations.

6. EVENTS OF DEFAULT; REMEDIES, RIGHTS UPON DEFAULT.

A. The occurrence of any of the following events shall constitute an Event of Default under this Agreement:

- (i) the occurrence or continuance of an Event of Default as defined under Section 9 of the Note; or
- (ii) a breach by Borrower of any term of this Agreement that remains uncured for twenty (20) days after notice has been given to Borrower by a Lender of such breach; provided that such breach is of the nature that can be remedied within such twenty (20) days.

B. Upon an Event of Default, the Lenders may declare the Secured Obligations to be, and the Secured Obligations shall forthwith become, immediately due and payable without presentment, demand, protest or notice of any kind, except as such notice or consent is expressly provided for hereunder, all of which are expressly waived by Borrower, and Lenders shall have, subject to Section 6.C. hereof, in addition to all other rights provided herein, the following rights:

- (i) Lenders may require that Borrower shall not make any use of the Intellectual Property for any purpose whatsoever. Lenders may make use of any Intellectual Property for the sale of goods, completion of work-in-process or rendering of services or otherwise in connection with enforcing any other security interest granted to Lenders by Borrower.

- (ii) Lenders may grant such license or licenses relating to the Collateral for such term or terms, on such conditions, in such manner, as Lenders shall in their discretion deem appropriate. Such license or licenses may be general, special, or otherwise, any may be granted on an exclusive or non-exclusive basis throughout all or any part of the United States of America, its territories and possessions, and all foreign countries.
- (iii) Lenders may assign, sell, or otherwise dispose of the Collateral or any part thereof, either with or without special conditions or stipulations except that if notice to Borrower of intended disposition of Collateral is required by law, the giving of five (5) days prior written notice to Borrower of any proposed disposition shall be deemed reasonable notice thereof and Borrower waives any other notice with respect thereto. Lenders shall have the power to buy the Collateral or any part thereof, and Lenders shall also have the power to execute assurances and perform all other acts which Lenders may, in its discretion, deem appropriate or proper to complete such assignment, sale or disposition. In any such event, Borrower shall be liable for any deficiency.
- (iv) In addition to the foregoing, in order to implement the assignment, sale or other disposition of any of the Collateral pursuant to Subparagraph 5(iii) hereof, Lenders may at any time execute and deliver on behalf of Borrower, pursuant to the authority granted in Section 4 hereof, one or more instruments of assignment of the Intellectual Property (or any application, registration, or recording relating thereto), in form suitable for filing, recording, or registration. Borrower agrees to pay Lenders on demand all costs incurred in any such transfer of the Collateral, including, but not limited to, any taxes, fees, and reasonable attorneys' fees and legal expenses.
- (v) Lenders may first apply the proceeds actually received from any such license, assignment, sale, or other disposition of Collateral to the costs and expenses thereof, including, without limitation, reasonable attorneys' fees and legal expenses, and other expenses which may be actually incurred by Lenders. Thereafter, Lenders shall apply any remaining proceeds to the Secured Obligations. Borrower shall remain liable to Lenders for any expenses or obligations remaining unpaid after the application of such proceeds, and Borrower will pay Lenders on demand any such unpaid amount, together with interest at a rate equal to the highest rate then payable on the Secured Obligations pursuant to the Notes.
- (vi) Nothing contained therein shall be construed as requiring Lenders to take any such action at any time. All of Lenders' rights and remedies, whether provided under law, this Agreement, the Loan Agreements, the Notes or otherwise, shall be cumulative and none is exclusive. Such rights and remedies may be enforced alternatively, successively, or concurrently.

C. Ratable Application. If upon any sale, assignment, license or other disposition of the Collateral under this Section 6 the proceeds of such sale, assignment, license or other disposition shall be insufficient to pay the Secured Obligations, and any other amounts due hereunder, in full, the Lenders shall share ratably in the proceeds of such sale, assignment, license or other disposition in proportion to the respective amounts of such Lender's Note(s).

7. Approval of a Majority of the Lenders. In order to institute any proceedings or take any action under this Agreement, including but not limited to taking action under Sections 4 and 6 hereof, a Majority of the Lenders must consent in writing prior to instituting such proceedings or taking such action. No Lender shall have the right to institute any proceedings or take any action under this Agreement without the prior written approval of a Majority of the Lenders.

8. MISCELLANEOUS PROVISIONS.

A. DISCLAIMER.

BORROWER DISCLAIMS ALL WARRANTIES WHATSOEVER, EXPRESSED OR IMPLIED, STATUTORY, OR OTHERWISE, INCLUDING ANY WARRANTY OF MERCHANTABILITY, NONINFRINGEMENT, FITNESS FOR ANY PARTICULAR PURPOSE, RELATING TO THE COLLATERAL.

B. Expenses. Borrower will upon demand pay to a Lender the amount of any and all out-of-pocket expenses, including, without limitation, the reasonable fees and expenses of its counsel, which such Lender incurs in connection with the exercise or enforcement of any of the rights of Lenders hereunder provided that such Lender provides Borrower with written evidence of such out-of-pocket expenses. Interest shall accrue on such expenses, from the date incurred, at an interest rate equal to the Default Rate.

C. Notices. Any notice, demand, request or other communication which any party hereto may be required or may desire to give hereunder shall be in writing and shall be hand delivered, mailed by registered or certified mail, postage prepaid, return receipt requested, or sent by a reputable overnight courier service, addressed as set forth below, and shall be effective upon actual receipt as verified by written acknowledgment of delivery in the case of hand or overnight delivery and effective on the third business day after the day on which it is deposited in the United States mails in the continental United States, in the case of registered or certified mail:

If to a Lender, then at the address of such Lender as indicated on Schedule I attached hereto.

If to Borrower:

Biomorphic VLSI, Inc.
4165 E. Thousand Oaks Blvd. #180

Westlake Village, CA 91362
Attention: President

with a copy to:

Sonnenschein Nath & Rosenthal
1301 K Street N.W.
Suite 600, East Tower
Washington, D.C. 20005

or at such other address or to such other addressee as the party to be served with notice may have furnished in writing to the party seeking or desiring to serve notice as a place for the service of notice.

D. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

E. No Waiver; Cumulative Remedies. Lenders shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by a Majority of the Lenders, and then only to the extent therein set forth. A waiver by a Majority of the Lenders of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which Lenders would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising on the part of Lenders any right, power or privilege hereunder, shall operate as a waiver thereof, and no single or partial exercise of any right, power or privilege hereunder shall preclude any other or future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies hereunder provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law.

F. Amendments. Subject to Section 2C of this Agreement, this Agreement may not be amended, modified or waived except with the written consent of a Majority of the Lenders and Borrower.

G. Successors and Assigns. This Agreement and all the respective obligations of the parties hereunder shall be binding upon the successors and assigns of the parties and shall inure, together with the rights and remedies of the parties hereunder, to the benefit of such party's respective successors, transferees and assigns.

H. Termination; Release. This Agreement shall continue in full force and effect, and the Liens granted hereby, the duties, covenants and liabilities of Borrower hereunder and all the terms, conditions and provisions hereof relating thereto shall continue to be fully operative until the payment in full of the Secured Obligations. Upon the termination of this Agreement, Lenders, at the request and expense of Borrower, shall

execute and deliver to Borrower the proper instruments (including termination statements on form UCC-3) acknowledging the termination of this Agreement, and will duly assign, transfer and deliver to Borrower (without any representation or warranty) such of the Collateral as may be in the possession of Lenders and that has not theretofore been sold or otherwise applied or released pursuant to this Agreement.

I. Governing Law. This Agreement, and its validity, enforcement and interpretation, shall be governed by and construed, interpreted and enforced in accordance with and pursuant to the laws of the California.

J. WAIVER OF JURY TRIAL. BORROWER AND LENDERS HEREBY WAIVE ANY AND ALL RIGHT TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY COLLATERAL DOCUMENT AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF IF DEEMED APPROPRIATE BY THE COURT.

K. ASSIGNMENT. No Lender shall, without the prior written consent of a Majority of the Lenders and the Company, transfer any right, interest or obligation hereunder to any other party. The Company shall not, without the prior written consent of a Majority of the Lenders, transfer any right, interest or obligation hereunder to any other party.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, each of the parties hereto has caused this Intellectual Property Security Agreement to be executed and delivered by its duly authorized officers on the date first set forth above.

BIOMORPHIC VLSI, INC.

Bimal Mathur
Name: BIMAL MATHUR
Title: PRESIDENT

LENDER:

By: Clark Su
Name: Clark Su

If on behalf of an entity, the name of the entity and the capacity in which signed:

Name of entity: Chien Pang Venture Capital Corp.
Title: _____

LENDER:

By: _____
Name: _____

If on behalf of an entity, the name of the entity and the capacity in which signed:

Name of entity: _____
Title: _____

LENDER:

By: _____
Name: _____

If on behalf of an entity, the name of the entity and the capacity in which signed:

Name of entity: _____

Page 9

11041800V-2

RECEIVED TIME 19.NOV. 14:54

PRINT TIME 19.NOV. 14:56

Title: _____

SIGNATURE PAGE FOR LENDERS CONTINUED

LENDER:

By: _____

Name: _____

If on behalf of an entity, the name of the entity and
the capacity in which signed:

Name of entity: _____

Title: _____

LENDER:

By: _____

Name: _____

If on behalf of an entity, the name of the entity and
the capacity in which signed:

Name of entity: _____

Title: _____

LENDER:

By: _____

Name: _____

If on behalf of an entity, the name of the entity and
the capacity in which signed:

Name of entity: _____

Title: _____

SCHEDULE 1**LENDERS**

Name and Address of Lender	Dollar Amount of Note
Chien Pang Venture Capital Corp. 12F, No.138, Min Sheng East Road, Sec.3 Taipei, Taiwan R.O.C.	

EXHIBIT A**INTELLECTUAL PROPERTY**

Intellectual property of the Company is divided into the following four categories:

1. Products/Designs for the digital still camera market:

<u>Bi8602</u> – ¼VGA, 10-bit A/D, 5.0V power supply	Available: Now
<u>Bi8603</u> – ¼VGA, 10-bit A/D, 5.0V power supply	Available: Now
<u>Bi8603A</u> – VGA, 10-bit A/D, 5.0V power supply	Available: Now
<u>Bi8615</u> – ¼" VGA, 8-bit A/D, 3.3V device (0.35 um)	Available: November, 2001
<u>Bi8801</u> – ½" 1 MP, 10-bit A/D, 3.3V device(0.25um)	Design completed
<u>Bi8831</u> – ½" 1.3 MP, 10-bit A/D, 3.3V device (0.25um)	Design completed
<u>Bi6810</u> – PC Centric Controller for Dual Mode Market,	Design Completed

2. Products/Designs for the integrated information appliance market:

<u>Bi6612</u> – 1/5" CIF, 8-bit A/D, 5V device	Available: Now
<u>Bi6615</u> – 1/7" CIF, 8-bit A/D, 3.3V device (0.35um)	Design in progress
<u>Bi8636</u> – 1/5" VGA, Single Chip Camera with JPEG output, (0.25u)	Design in progress

3. Patent applications:

•PIXEL READ-OUT ARCHITECTURE	Filed 3/23/99
•COLOR FILTER PATTERN	Filed 3/23/99
•COLOR SELECTION FOR SPARSE COLOR IMAGE RECONSTRUCTION	Filed 1/13/00
•SYSTEM AND METHOD OF COLOR INTERPOLATION	Filed 1/13/00
•PIXEL SELECTIVE WHITE BALANCING	Filed 4/19/00
•HIGH ACCURACY SAMPLE AND HOLD CIRCUIT FOR ARRAY	Filed 7/26/00
•HIGH SENSITIVITY PHOTODIODE	Filed 10/17/00
•COLOR-OPTIMIZED PIXEL ARRAY DESIGN	Filed 10/26/00
•CMOS COMPATIBLE HIGH PERFORMANCE PHOTO DIODE	In process of being completed.

4. Patent applications and product designs which are prepared and developed by Borrower during the period in which the bridge loan is outstanding shall also be included on this exhibit.