

10-16-01

10-16-2001



RE 101874713 T
TRADEMARKS ONLY

D-Heed/

TO: The Commissioner of Patents and Trademarks: Please record the attached original document(s) or copy(ies).

Submission Type

- New
- Resubmission (Non-Recordation)
Document ID#
- Correction of PTO Error
Reel # Frame #
- Corrective Document
Reel # Frame #

Conveyance Type

- Assignment
- Security Agreement
- Merger
- Change of Name
- Other
- License
- Nunc Pro Tunc Assignment
Effective Date
Month Day Year

Conveying Party(ies)

Mark if additional names of conveying parties attached Execution Date
Month Day Year

Name **Sage Systems, Incorporated**

Formerly

- Individual
- General Partnership
- Limited Partnership
- Corporation
- Association
- Other

Citizenship/State of Incorporation/Organization **California**

Receiving Party

Mark if additional names of conveying parties attached

Name **Nth Power Technologies Fund II, L.P.**

DBA/AKA/TA

Composed of

Address (line 1) **50 California Street**

Address (line 2) **Suite 840**

Address (line 3) **San Francisco** **CA/USA** **94111**

City

State/Country

Zip Code

- Individual
- General Partnership
- Limited Partnership
- Corporation
- Association
- Other

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative is attached. (Designation must be a separate document from Assignment.)

Citizenship/State of Incorporation/Organization **California**

10/16/2001 DBYRME 00000176 75694942

FOR OFFICE USE ONLY

01 FC:481 40.00 OP
02 FC:482 125.00 OP

Public burden reporting for this collection of information is estimated to average approximately 30 minutes per Cover Sheet to be recorded, including time for reviewing the document and gathering the data needed to complete the Cover Sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Chief Information Officer, Washington, D.C. 20231 and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0651-0027), Washington, D.C. 20503. See OMB Information Collection Budget Package 0651-0027, Patent and Trademark Assignment Practice. DO NOT SEND REQUESTS TO RECORD ASSIGNMENT DOCUMENTS TO THIS ADDRESS.

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

Domestic Representative Name and Address

Enter for the first Receiving Party only.

Name
Address (line 1)
Address (line 2)
Address (line 3)
Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number

Name
Address (line 1)
Address (line 2)
Address (line 3)
Address (line 4)

Pages

Enter total number of pages of the attached conveyance document including any attachments.

#

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Patent Application Number or the Patent Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

| | | | | | |
|---|---|----------------------|--|----------------------|----------------------|
| <input type="text" value="75/694,942"/> | <input type="text" value="75/844,302"/> | <input type="text"/> | <input type="text" value="2,453,568"/> | <input type="text"/> | <input type="text"/> |
| <input type="text" value="75/630,562"/> | <input type="text" value="75/568,362"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text" value="76/071,661"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |

Number of Properties

Enter the total number of properties involved.

#

Fee Amount

Fee Amount for Properties Listed (37 CFR 3.41):

\$

Method of Payment:
Deposit Account

Enclosed



Deposit Account



(Enter for payment by deposit account or if additional fees can be charged to the account.)

Deposit Account Number:

#

Authorization to charge additional fees:

Yes



No



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. Charges to deposit account are authorized, as indicated herein.

Melanie Cass

Melanie Cass

October 15, 2001

Name of Person Signing

Signature

Date Signed

RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY

Conveying Party(ies)

Enter Additional Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

Individual

General Partnership

Limited Partnership

Corporation

Association

Other

Citizenship/State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

Mark if additional names of conveying parties attached

Name

Cardinal Venture Partners, L.P.

DBA/AKA/TA

Composed of

Address (line 1)

873 Santa Cruz Avenue

Address (line 2)

Suite 206

Address (line 3)

Menlo Park

City

CA/USA

State/Country

94025

Zip Code

Individual

General Partnership

Limited Partnership

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

Corporation

Association

Other

Citizenship/State of Incorporation/Organization

California

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

| | | |
|----------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |

| | | |
|----------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |

RECORDATION FORM COVER SHEET CONTINUATION TRADEMARKS ONLY

Conveying Party(ies)

Enter Additional Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship/State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

Mark if additional names of conveying parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)

City

State/Country

Zip Code

Individual General Partnership Limited Partnership

Corporation Association

Other

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

Citizenship/State of Incorporation/Organization

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

| | | |
|----------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |

| | | |
|----------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |

RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY

Conveying Party(ies)

Enter Additional Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship/State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

Mark if additional names of conveying parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

Individual General Partnership Limited Partnership

Corporation Association

Other

Citizenship/State of Incorporation/Organization

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

Trademark Application Number(s) or Registration Number(s) Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

| | | |
|----------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |

| | | |
|----------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |

RECORDATION FORM COVER SHEET
CONTINUATION
TRADEMARKS ONLY

Conveying Party(ies)

Enter Additional Conveying Party

Mark if additional names of conveying parties attached

Execution Date
Month Day Year

Name

Formerly

Individual General Partnership Limited Partnership Corporation Association

Other

Citizenship/State of Incorporation/Organization

Receiving Party

Enter Additional Receiving Party

Mark if additional names of conveying parties attached

Name

DBA/AKA/TA

Composed of

Address (line 1)

Address (line 2)

Address (line 3)
City State/Country Zip Code

Individual General Partnership Limited Partnership

Corporation Association

Other

If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. (Designation must be a separate document from Assignment.)

Citizenship/State of Incorporation/Organization

Trademark Application Number(s) or Registration Number(s)

Mark if additional numbers attached

Enter either the Trademark Application Number or the Registration Number (DO NOT ENTER BOTH numbers for the same property).

Trademark Application Number(s)

Registration Number(s)

| | | |
|----------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |

| | | |
|----------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
| <input type="text"/> | <input type="text"/> | <input type="text"/> |

4.1. Notes. Payment of the principal amount and interest evidenced by the Notes, together with any future advances thereunder and amendments thereof.

4.2. Other Amounts. Payment of all other amounts becoming due and payable to Secured Parties under this Security Agreement and the Notes.

4.3. Performance. Performance and discharge of each and every obligation of Debtor under this Security Agreement and the Notes.

5. Debtor's Warranties and Representations. Debtor represents and warrants to each Secured Party that:

5.1. Debtor's Capacity to Execute Agreement. Debtor has the requisite power and authority to carry on its business and to enter into and carry out the provisions of this Security Agreement.

5.2. No Violation of Agreements. The execution, performance and delivery of this Security Agreement does not and will not violate the terms of any contract or agreement to which Debtor is a party or by which Debtor or any of the Collateral is bound.

5.3. Collateral. Debtor is the sole legal and equitable owner of the Collateral and has, or will have when it comes into existence, good and marketable title to the Collateral free and clear of all matured liens and adverse claims of any type whatsoever, except those that may exist in favor of Secured Parties. All Collateral is and has been at all times located in the State of California.

5.4. No Financing Statements. No financing statement, equivalent security or lien instrument or continuation statement covering the Collateral (or any part thereof) is currently on file in any public office.

5.5. No Misrepresentations. No misrepresentation or warranty by Debtor in this Security Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made therein not misleading.

5.6. Survival of Representations. All representations made by Debtor in or under this Security Agreement shall be true and accurate as of the date hereof, and shall survive thereafter.

5.7 Security Interest. This Security Agreement creates a legal and valid security interest on and in all of the Collateral in which Debtor now has rights and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken. Accordingly, the Secured Parties have a fully perfected first priority security interest in all of the Collateral in which Debtor now has rights. This Security Agreement will create a legal and valid and fully perfected first priority security interest in the Collateral in which Debtor later acquires rights, when Debtor acquires those rights and additional filings to be made with the United States Copyright Office and/or Patent and Trademark Office as are necessary to perfect the Secured Parties' security interest in subsequent ownership rights and interests of Debtor in Copyrights, Patents, Trademarks and Licenses.

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Security Agreement") is made effective as of October 15, 2001, by and between Sage Systems, Incorporated, a California corporation ("Debtor") and the persons holding existing promissory notes in Debtor, and the persons loaning funds to the Debtor contemporaneously with this Agreement, as specified in Exhibit A (collectively, the "Secured Parties").

RECITALS

A. The Secured Parties have either previously loaned to Debtor that amount specified under "Existing Notes" as specified in Exhibit A, or on even date herewith, Secured Parties have loaned or are expected to loan to Debtor an amount equal to those amounts specified in Exhibit A under "New Notes," evidenced by Secured Convertible Promissory Notes (with such Existing Notes and New Notes being referred to herein as the "Notes") pursuant to a Secured Convertible Note Purchase Agreement of even date herewith (the "Note Purchase Agreement").

B. In consideration of the above, Debtor has agreed to grant a security interest to Secured Parties in certain collateral of Debtor to secure the repayment of the Notes.

AGREEMENT

NOW, THEREFORE, the parties hereby agree as follows:

1. Grant of Security Interest. Debtor hereby grants, assigns, transfers and pledges to Secured Parties a security interest in the Collateral (as defined in Section 3) to secure the full, prompt, complete and final payment and performance of Debtor's Obligations (as defined in Section 4) to Secured Parties.

2. Additional Secured Parties. Debtor may additionally grant a security interest in the Collateral to (i) holders of the Existing Notes who do not become signatories on the date hereof; or (ii) any other person executing a new Note on or before October 31, 2001 pursuant to the Note Purchase Agreement. Such grant of a security interest shall be effected by adding the additional Secured Parties to Exhibit A and having them execute a counterpart signature page of this Agreement, thereby binding them hereto. If Debtor grants a security interest in the Collateral to additional Secured Parties as specified in this Section 2, then such additional Secured Parties shall have the same rights to the Collateral as specified in this Agreement as if such additional Secured Parties had executed this Agreement on the date first specified above. Debtor shall inform all of the Secured Parties in writing by November 10, 2001 of the identity of all of the Secured Parties.

3. Collateral. The collateral covered by this Security Agreement is identified on Exhibit B hereto (the "Collateral") and includes, but is not limited to, the Copyrights, Patents and Trademarks identified on Exhibits C through E hereof.

4. Debtor's Obligations Secured Hereby. Debtor's Obligations to Secured Parties secured hereby are the following (collectively, the "Obligations"):

5.8 Debtor Information. Debtor's taxpayer identification number is, and chief executive office, principal place of business, and the place where Debtor maintains its records concerning the Collateral are presently located at the address set forth on the signature page hereof. The Collateral is presently located at such address. Debtor shall not change its taxpayer identification number, jurisdiction of organization or such chief executive office, principal place of business or remove or cause to be removed, the records concerning the Collateral from those premises without prior written notice to the Secured Parties.

5.9 Intellectual Property. All Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks and Trademark Licenses now owned, held or in which Grantor otherwise has any interest are listed on Exhibits C through E attached hereto. Grantor shall amend Exhibits C through E from time to time within ten (10) business days after the filing of any application for a Patent, Trademark or Copyright or the issuance of any Patent or registration of any Trademark or Copyright to reflect any additions to or deletions from this list. Except as set forth on Exhibits C through E, none of the Patents, Trademarks or Copyrights has been licensed to any third party.

6. Debtor's Covenants. Debtor agrees and covenants that:

6.1. No Sale. Debtor shall not, without the prior written consent of Majority Secured Parties (as defined in Section 8 below), sell, contract to sell, lease, encumber, pledge or dispose of any Collateral except in the ordinary course of Debtor's business. Nothing in this provision shall preclude Debtor from licensing non-exclusive rights in the Collateral in the ordinary course of business.

6.2. Further Encumbrances. Until Debtor's Obligations secured under this Security Agreement shall have been repaid and performed in full, Debtor shall not grant a security interest in any of the Collateral other than to Secured Parties, or execute any financing statements or equivalent security or lien instruments covering any of the Collateral in favor of any person other than Secured Parties.

6.3. Use of Collateral. The Collateral will not be used for any unlawful purpose or in any way that will void any insurance required to be carried in connection therewith. Debtor will keep the Collateral free and clear of all liens and adverse claims, and will deal with the Collateral in all such ways as are considered good practice by owners of like Collateral.

6.4. Insurance. The Collateral will be insured at Debtor's sole cost against all risks commonly insured by owners of like collateral, with such insurance companies and in such amounts reasonably satisfactory to Secured Parties. The Secured Parties shall be named as additional insureds and Debtor shall, upon request, provide to Secured Parties certificates of insurance evidencing such insurance.

6.5. Collection. Until Secured Parties elect to do so, Debtor shall collect with diligence all income, license fees, royalties, revenue, profits, proceeds and any other amounts received from the Collateral, and shall hold such amounts subject to a security interest in Secured Parties to secure the Obligations.

6.6. Indemnification. Debtor agrees to indemnify, defend and hold Secured Parties

harmless, from any and all liabilities, charges, damages, claims, judgments, indebtedness or costs of any kind whatsoever, including reasonable attorneys' fees, caused or otherwise arising out of the Collateral.

6.7. Perfection of Security Interest. Debtor shall execute and deliver such documents as Majority Secured Parties deem necessary to create, perfect and continue the security interest in the Collateral contemplated hereby. Debtor agrees that Secured Parties may at any time and from time to time, with the approval of Majority Secured Parties, file financing statements, continuation statements (including "in lieu" continuation statements) and amendments thereto that describe the Collateral as all intellectual property assets of Debtor or words of similar effect and which contain any other information required by Part 5 of Revised Article 9 of the Uniform Commercial Code adopted in the State of California ("Revised Article 9") for the sufficiency or filing office acceptance of any financing statement, continuation statement or amendment, including whether Debtor is an organization, the type of organization and any organization identification number issued to Debtor. Debtor agrees to furnish any such information to Secured Parties promptly upon request. Any such financing statements, continuation statements or amendments may be signed by the Secured Parties on behalf of Debtor and may be filed at any time in any jurisdiction whether or not Revised Article 9 is then in effect in that jurisdiction.

6.8. Assignments. If and when requested by the Majority Secured Parties, Debtor shall upon any Event of Default (as defined in Section 7) prepare and deliver to Secured Parties assignments in writing of all Collateral.

6.9. Payment of Obligations. Debtor will pay all Obligations when due, and Debtor will repay upon demand all expenses (including reasonable attorney's fees and costs) incurred by a single counsel approved by the Majority Secured Parties in the preservation, enforcement or exercise of any of Secured Parties' rights under this Security Agreement or under any other instrument securing payment of the Obligations, and the amount of such expenses shall become part of the Obligations secured hereby.

6.10. Payment of Taxes; License Fees. Debtor shall pay when due all taxes, insurance premiums, license fees, assessments, charges, liens or encumbrances now or hereafter affecting the Collateral.

6.11. Inspection of Debtor's Books. Debtor shall permit Secured Parties and their designees at reasonable times and from time to time to inspect Debtor's books, records and properties and to make copies of extracts from such books and records.

6.12. Defense of Collateral. Debtor shall, at its sole expense, (i) protect, defend and maintain the validity and enforceability of the Copyrights, Patents and Trademarks, (ii) use its best efforts to detect infringements of the Copyrights, Patents and Trademarks and promptly advise the Secured Parties in writing of material infringements detected, and (iii) not allow any Copyrights, Patents or Trademarks to be abandoned, forfeited or dedicated to the public without the written consent of Majority Secured Parties unless the Board of Directors of the Debtor determines that any such abandonment is appropriate.

6.13 Contracts and Licenses.

(a) Debtor shall not enter into any contract, agreement or License that would materially impair or conflict with Debtor's obligations hereunder without the consent of the Majority Secured Parties.

(b) Notwithstanding anything contained in this Security Agreement to the contrary, Debtor expressly agrees that it shall remain liable under each of its contracts and each of its Licenses to observe and perform all the conditions and obligations to be observed and performed by it thereunder and that it shall perform all of its duties and obligations thereunder, all in accordance with and pursuant to the terms and provisions of each such contract or License. Secured Parties shall not have any obligation or liability under any contract or License by reason of or arising out of this Security Agreement or the granting to the Secured Parties of a lien therein or the receipt by Secured Parties of any payment relating to any contract or License pursuant hereto, nor shall Secured Parties be required or obligated in any manner to perform or fulfill any of the obligations of Debtor under or pursuant to any contract or License, 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 contract or License, 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.

6.14 Registration of Intellectual Property Rights. Debtor shall promptly register or cause to be registered (to the extent not already registered) the most recent version of any Copyright and any Copyright License and any Patent, Patent License, Trademark or Trademark License, which, individually or in the aggregate, is material to the conduct of Debtor's business, with the United States Copyright Office or Patent and Trademark Office, as applicable, including, without limitation, in all such cases the filing of applications for renewal, affidavits of use, affidavits of noncontestability and opposition and interference and cancellation proceedings. Debtor shall register or cause to be registered with the United States Copyright Office or Patent and Trademark Office, as applicable, those additional rights and interests developed or acquired by Debtor after the date of this Security Agreement, including, without limitation, any additions to the rights and interests of Grantor listed on Exhibits C –through E hereto.

6.15 Notice. Upon any executive officer of Debtor obtaining actual knowledge thereof, Debtor will promptly notify the Secured Parties in writing of any event that materially adversely affect the value of any Collateral, the ability of Debtor to dispose of any Collateral or the rights and remedies of the Secured Parties in relation thereto, including the levy of any legal process against any of the Collateral.

7. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under this Security Agreement:

7.1. Default on Obligations. Debtor fails to pay its Obligations hereunder as and when they come due, including, without limitation, payment of any principal and interest on the Notes.

7.2. Breach of Agreement. Debtor breaches any material covenant or warranty in this Agreement or fails to perform any other material obligation under this Agreement, which failure is not cured within five (5) days after written notice to Debtor by a Secured Party; provided, however, if the default is non-monetary in nature and is capable of being cured but cannot be cured within the five (5) day period, such default shall not be an Event of Default and Debtor shall not be in default so long as Debtor diligently begins within the five (5) day period to take appropriate steps to cure the default, continues thereafter to diligently take all appropriate steps to cure the default, and cures within thirty (30) days after such written notice.

7.3. Inaccuracy of Representations. Any representation or warranty made in connection with the execution and delivery of this Security Agreement shall prove to be at any time materially incorrect and such is not corrected within five (5) days after written notice from a Secured Party.

7.4. Bankruptcy. (i) Debtor shall admit in writing its inability to pay its debts as they mature; (ii) Debtor shall apply for, consent to, or acquiesce in the appointment of the property of Debtor or, in the absence of such application, consent or acquiescence, a trustee or receiver shall be appointed for Debtor or for any part of the Collateral of Debtor; (iii) any bankruptcy, reorganization, debt arrangement or other proceedings under any bankruptcy or insolvency law or a dissolution or liquidation proceedings shall be instituted with respect to Debtor, shall be consented to or acquiesced in by Debtor or shall not be dismissed; (iv) any judgment, writ of attachment or execution or any similar process shall be issued or levied against a substantial part of the Collateral; or (v) Debtor takes any corporate action in furtherance of any of the foregoing identified in (i) through (iv).

8. Remedies on Default. Upon the occurrence of an Event of Default, Secured Parties shall have all rights, privilege, powers and remedies provided by law, which rights, privileges, powers and remedies shall be cumulative, and no single or partial exercise of any of them shall preclude the further or other exercise of the same or any of them. The holders of at least 70% of Notes as measured by outstanding principal amounts (the "Majority Secured Parties") shall have the right to make all decisions hereunder on behalf of all holders of Notes and all rights hereunder shall be allocated in proportion to the then outstanding principal amount of Notes held by a Secured Party relative to the then outstanding principal amount of Notes held by all Secured Parties. By way of example and not by way of limitation, Secured Parties may, pursuant to this Section 8, with the appropriate authority of Majority Secured Parties, exercise any one or all of the remedies hereinafter set forth:

8.1. Payment Under Notes. Except as provided in the Note Purchase Agreement or the Notes, the Secured Parties may declare without further notice the aggregate unpaid principal balance of the Notes, together with all unpaid accrued interest thereon, and all other obligations of Debtor hereunder to be immediately due and payable, and thereupon all such amounts shall be and become immediately due and payable to Secured Parties.

8.2. Possession and Use of Collateral. Secured Parties may without notice take and maintain possession of all Collateral covered hereby, including entering Debtor's property to collect such Collateral (which Collateral Debtor will assemble and make available to Secured Parties) and may use or license the Collateral in its possession and perform any of Debtor's obligations with

respect thereto, and may pay, purchase or compromise any encumbrance, charge or lien which appears to be prior to Secured Parties' security interest, and to pay all expenses incurred in connection therewith.

8.3. Sale of Collateral by Secured Parties. Secured Parties may sell the Collateral as appropriate for the purpose of performing Debtor's obligations with respect thereto in the manner provided in Revised Article 9. It is not necessary that the Collateral be present at any such sale, and Secured Parties may bid and purchase at the sale. Debtor and Secured Parties agree that public or private sales, for cash or on credit, to a wholesaler or retailer or user of Collateral of the types subject to this Security Agreement, or at public auction, are all commercially reasonable since differences in the sales prices generally realized in the different kinds of sale are ordinarily offset by the differences in the costs and credit risks of such sales. All expenses of retaking, holding and selling the Collateral, including reasonable attorney's fees, incurred by Secured Parties shall become part of the Debtor's Obligations hereunder and may be recovered upon disposition of the Collateral.

8.4. Additional Actions. Without notice or demand, Secured Parties may take such action and make such payments as Secured Parties deem advisable to protect and preserve the collateral and its security interests therein, including but not limited to repairing or reconditioning any Collateral in such manner and to such extent as Secured Parties may deem advisable, but Secured Parties shall have no obligation to take any such actions.

8.5. Deficiency. Any deficiency which exists after disposition of the Collateral as provided herein shall be immediately due and payable. Any excess after such sale shall be returned to Debtor.

9. Payments After an Event of Default. All payments realized by Secured Parties pursuant to Section 8, including all such payments and amount received after the Secured Parties have declared pursuant to Section 8.1 the Obligations of Debtor to be due and payable, as well as all payments or amounts then held or thereafter received by Secured Parties as part of the Collateral while an Event of Default shall be continuing, shall be promptly applied and distributed by Secured Parties in the following order of priority:

9.1. First, to the payment of all costs and expenses, including reasonable attorneys' fees, incurred hereunder by Secured Parties, including any such costs and expenses of foreclosure or suit, if any, and of any sale or the exercise of any other remedy under Section 8, and of all taxes, assessments or liens superior to the lien granted under this Security Agreement, except any taxes, assessments or other superior lien subject to which any said sale under Section 8 hereof may have been made.

9.2. Second, to the payment to Secured Parties the amount then owing or unpaid on the Notes, such application to be made upon presentation of the Notes and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid.

9.3. Third, to any other Obligations owed to Secured Parties by Debtor.

9.4. Fourth, to the payment of the balance or surplus, if any to Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

10. Secured Parties' Right to Cure; Reimbursement. If Debtor fails to make any payment or do any act as herein provided, after ten (10) days written notice to Debtor, Majority Secured Parties may, but without obligation to do so, without release of Debtor from any obligation hereof, make or do the same in such manner and to such extent as Secured Parties may deem necessary to protect the Collateral, including, without limitation, the defense of any action purporting to affect the Collateral or the rights or powers of Secured Parties hereunder and in such event Debtor agrees to reimburse Secured Parties in full upon demand.

11. Termination. This Security Agreement and the obligations of Secured Parties and Debtor hereunder shall terminate when all Obligations have been fully paid and satisfied. At such time:

11.1. Secured Parties shall deliver to Debtor at Debtor's own cost and expense paid prior to such delivery and at such place or places as Debtor may reasonably designate by written request, all Collateral then in the possession of Secured Parties.

11.2. Secured Parties shall execute any necessary release statements or execute any other documents reasonably requested by Debtor at Debtor's own cost and expense paid prior to such execution to effectuate the release of Secured Parties' security interests.

12. Assigns and Successors. This Security Agreement is assignable by Secured Parties only, and when and if assigned, it shall inure to the benefit of Secured Parties, their successors and assigns, and shall be binding upon Debtor, its successors and assigns.

13. Notices. All notices, payments, and other communications called for or required by this Security Agreement shall be deemed to have been validly given on the date of service if served personally on any party to whom notice is to be given, or on the third day after mailing if mailed to any party to whom notice is to be given by first class mail, registered or certified, postage prepaid, and properly addressed as indicated next to each party's signature below, or to such other address as a party may designate pursuant to notice given a provided herein.

14. Governing Law. This Security Agreement shall be governed by the laws of the State of California without regard to principles of conflicts of law.

15. Enforcement. If any portion of this Security Agreement is determined to be invalid or unenforceable, the remainder shall be valid and enforceable to the maximum extent possible.

16. Discretionary Rights of Secured Parties. The exercise of or failure to exercise any right of Secured Parties shall not affect any other subsequent right of Secured Parties to exercise the same and the waiver of any breach or default by Secured Parties shall not be deemed a waiver of any subsequent breach or default.

17. Amendments. This Security Agreement may be amended only by a written instrument signed by the Company and at least the Majority Secured Parties. Notwithstanding the foregoing, this Security Agreement may be amended with the sole consent of the Company to include additional Secured Parties pursuant to Section 2 hereof, or to amend the exhibits hereto.

18. No Failure or Delay. No failure or delay on the part of the Secured Parties, in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof.


19. Counterparts. This Security Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall constitute one and the same instrument.

(Remainder of this page intentionally left blank)

IN WITNESS WHEREOF, the parties have executed this Security Agreement on the date set forth above.

Debtor:

SAGE SYSTEMS, INCORPORATED

By: 
Steve Raschke, President

Address: 1420 Harbor Bay Parkway, Suite 160
Alameda, CA 94502

SIGNATURE PAGE TO SECURITY AGREEMENT

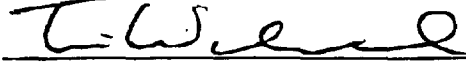
C:\Documents and Settings\steve\Local Settings\Temporary Internet Files\OLK\7SA5.doc

Secured Parties:

NTH POWER TECHNOLOGIES FUND II, L.P.

**By: NTH POWER TECHNOLOGIES MANAGEMENT,
L.P. ITS GENERAL PARTNER**

**By: NTH POWER TECHNOLOGIES, INC.
ITS GENERAL PARTNER**

By: 
Tim Woodward
An Officer of the General Partner

CARDINAL VENTURES, L.P. :

By: _____
(Signature)

(Print Name and Title)

John Helm

Steve Raschke

Noreen Raschke

SIGNATURE PAGE TO SECURITY AGREEMENT

Agatha HD:Documents:Microsoft User Data:Outlook Express Temp:SA5.doc 1

Secured Parties:

NTH POWER TECHNOLOGIES FUND II, L.P.

**By: NTH POWER TECHNOLOGIES MANAGEMENT,
L.P. ITS GENERAL PARTNER**

**By: NTH POWER TECHNOLOGIES, INC.
ITS GENERAL PARTNER**

**By: _____
Tim Woodward
An Officer of the General Partner**

CARDINAL VENTURES, L.P. :

**By: David G. Blazensky
(Signature)**

**David G. Blazensky General Partner
(Print Name and Title)**

John Helm

Steve Raschke

Noreen Raschke

SIGNATURE PAGE TO SECURITY AGREEMENT

C:\Documents and Settings\Administrator(Lans) Settings\Temporary Internet Files\OLK13V8A1.doc

Received 01-Oct-15 11:01am

From-5108347440

CARDINALVC

To-COOLEY GODWARD LLP

598419059

10/12/2015 15:30

Page 16

10/12/2001 12:52 5108148704

SAGE SYSTEMS

PAGE 05

Secured Parties:

NTH POWER TECHNOLOGIES FUND II, L.P.

**By: NTH POWER TECHNOLOGIES MANAGEMENT,
L.P. ITS GENERAL PARTNER**

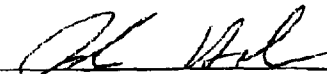
**By: NTH POWER TECHNOLOGIES, INC.
ITS GENERAL PARTNER**

By: _____
Tim Woodward
An Officer of the General Partner

CARDINAL VENTURES, L.P. :

By: _____
(Signature)

(Print Name and Title)



John Helm

Steve Raschke

Noreen Raschke

SIGNATURE PAGE TO SECURITY AGREEMENT

S:\Finance\Financings\Series [D]\Legal Docs\Execution Versions\SA3.doc

Secured Parties:

NTH POWER TECHNOLOGIES FUND II, L.P.

**By: NTH POWER TECHNOLOGIES MANAGEMENT,
L.P. ITS GENERAL PARTNER**

**By: NTH POWER TECHNOLOGIES, INC.
ITS GENERAL PARTNER**

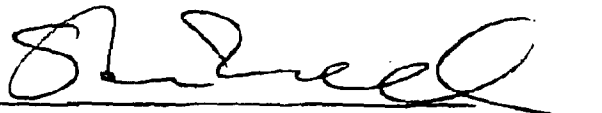
By: _____
Tim Woodward
An Officer of the General Partner

CARDINAL VENTURES, L.P. :


By: _____
(Signature)

(Print Name and Title)

John Helm



Steve Raschke



~~Noreen Raschke~~

SIGNATURE PAGE TO SECURITY AGREEMENT

C:\Documents and Settings\steve\Local Settings\Temporary Internet Files\OLK17\SAS.doc

EXHIBIT A**SECURED PARTIES****Existing Notes**

| Name of Creditor | Date of Note | Amount of Note |
|------------------------------|---------------------|-----------------------|
| Steve Raschke | July 1, 1997 | \$ 23,204 |
| Steve Raschke | January 1, 1998 | \$ 26,523 |
| Steve Raschke | January 1, 1998 | \$ 24,985 |
| Steve Raschke | January 1, 1999 | \$ 10,516 |
| Noreen Raschke | July 1, 1997 | \$ 24,368 |
| Noreen Raschke | January 1, 1998 | \$ 27,853 |
| Noreen Raschke | January 1, 1998 | \$ 26,238 |
| Noreen Raschke | January 1, 1999 | \$ 11,043 |
| Total Existing Notes: | | \$174,730 |

New Notes

| Name of Creditor | Date of Note | Amount of Note |
|--------------------------------------|---------------------|-----------------------|
| Nth Power Technologies Fund II, L.P. | October 15, 2001 | \$1,000,000 |
| Cardinal Ventures, L.P. | October 15, 2001 | \$ 400,000 |
| John Helm | October 15, 2001 | \$ 100,000 |
| Nth Power Technologies Fund II, L.P. | To be determined | \$1,000,000 |
| Cardinal Ventures, L.P. | To be determined | \$ 400,000 |
| John Helm | To be determined | \$ 100,000 |
| Total New Notes | | \$3,000,000 |

EXHIBIT B

COLLATERAL

The term "*Collateral*" includes all Copyrights, Copyright Licenses, Intellectual Property, Licenses, Patents, Patent Licenses, Trademarks and Trademark Licenses and to the extent not otherwise included, all "general intangibles" relating thereto (as defined in UCC Article 9), including all accounts receivable, royalties, contractual rights and proceeds (as defined in UCC Article 9) of each of the foregoing, the right to sue for past, present and future infringements, all rights corresponding thereto throughout the world and all re-issues, divisions, continuations, renewals, substitutions, replacements, extensions and continuations-in-part thereof.

"*Copyright*" means any of the following now owned or hereafter acquired or created (as a work for hire for the benefit of Debtor) by Debtor or in which Debtor now holds or hereafter acquires or receives any right or interest, in whole or in part: (a) any copyright, whether registered or unregistered, held pursuant to the laws of the United States or of any other country or foreign jurisdiction, (b) registration, application or recording in the United States Copyright Office or in any similar office or agency of the United States or any other country or foreign jurisdiction, (c) any continuation, renewal or extension thereof, and (d) any registration to be issued in any pending application, and shall include any right or interest in and to work protectable by any of the foregoing which are presently or in the future owned, created or authorized (as a work for hire for the benefit of Debtor) or acquired by Debtor, in whole or in part.

"*Copyright License*" means any agreement, whether in written or electronic form, now owned or hereafter acquired or received by Debtor or in which Debtor now holds or hereafter acquires or receives any right or interest granting any right to use or right not to be sued with respect to the use of any Copyright or any work protectable by Copyright.

"*Intellectual Property*" means any intellectual property, in any medium, of any kind or nature whatsoever, now or hereafter owned or acquired or received by Debtor or in which Debtor now holds or hereafter acquires or receives any right or interest, and shall include, in any event, any Copyright, Trademark, Patent, trade secret, customer list, marketing plans, Internet domain name (including any right related to the registration thereof), proprietary or confidential information, mask work, source, object or other programming code, invention (whether or not patented or patentable), technical information, procedure, design, knowledge, know-how, software, data base, data, skill, expertise, recipe, experience, process, model, drawing, material or record.

"*License*" means any Copyright License, Patent License, Trademark License or other license of rights or interests, whether in-bound or out-bound, whether in written or electronic form, now or hereafter owned or acquired or received by Debtor or in which Debtor now holds or hereafter acquires or receives any right or interest, and shall include any renewals or extensions of any of the foregoing thereof.

"*Patent*" means any of the following now hereafter owned or acquired or received by Debtor or in which Debtor now holds or hereafter acquires or receives any right or interest:

(a) letters patent and right corresponding thereto, of the United States or any other country or other foreign jurisdiction, any registration and recording thereof, and any application for letters patent, and rights corresponding thereto, of the United States or any other country or other foreign jurisdiction, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or other foreign jurisdiction; (b) any reissue, continuation, continuation-in-part or extension thereof; (c) any petty patent, divisional, and patent of addition; and (d) any patent to issue in any such application.

“*Patent License*” means any agreement, whether in written or electronic form, now hereafter owned or acquired or received by Debtor or in which Debtor now holds or hereafter acquires or receives any right or interest granting any right to use or right not to be sued with respect to any Patent or any invention on which a Patent is in existence.

“*Trademark License*” means any agreement, whether in written or electronic form, now hereafter owned or acquired or received by Debtor or in which Debtor now holds or hereafter acquires or receives any right or interest granting any right to use or right not to be sued for the use of any Trademark or Trademark registration.

“*Trademarks*” means any of the following now or hereafter owned or acquired or received by Debtor or in which Debtor now holds or hereafter acquires or receives any right or interest: (a) any trademark, trade name, corporate name, business name, trade style, service mark, logo, other source or business identifier, print or label on which any of the foregoing have appeared or appear, design or other general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and any applications in connection therewith, including registration, recording and application in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or other foreign jurisdiction and (b) any reissue, extension or renewal of any of the foregoing.

Exhibit C
COPYRIGHTS

1. **REGISTERED:** List titles below or indicate "None"

None

2. **UNREGISTERED:** List titles below or indicate "None"

Aladn White Paper
Sage Systems Website and related home control interface
Sage Systems Web application "Aladn Advantage"
Sage systems Web application "QuickShed"
Sage Systems Web application "Aladn Installer"
Aladn System Overview flyer
Aladn System User's Guide
Aladn Messaging Thermostat User's Guide
Aladn Network Outlet User's Guide
Aladn Network Dimmer Installation / Operation Instructions
Aladn network Switch Installation / Operation Instructions
All Sage System's presentations (20+)

3. **APPLICATIONS IN PROCESS:** List titles, applicable dates, application numbers, etc. below or indicate "None"

None

EXHIBIT D

U.S. PATENTS AND PATENT APPLICATIONS

(List titles below or indicate "None")

| PATENT NO. | PENDING APPLICATION NO. | TITLE | ISSUE DATE | FILING DATE |
|------------|-------------------------|--|------------|-------------|
| | 09/435,898 | System for Transmitting Data Over Power Lines | | 11/8/99 |
| | 60/226,478 | Autonomous Local Distributed Network (ALADN) - Provisional | | 8/18/00 |
| | 09/932,589 | Autonomous Local Distributed Network | | 8/17/01* |

* This patent application claims priority from the provisional patent filed in the previous year, and therefore has a priority date of August 18, 2000.

Exhibit E

U.S. TRADEMARKS AND TRADEMARK APPLICATIONS

(List marks below or indicate "None")

| REGISTRATION NO. | PENDING APPLICATION NO. | MARK | REGISTRATION DATE | FILING DATE |
|------------------|-------------------------|------------------------------------|-------------------|-------------|
| None | 75 / 694,942 | Aladn | none | 4/30/99 |
| 2,453,568 | 75 / 516,186 | Dataaccord | 5/22/01 | 7/9/98 |
| None | 75 / 630,562 | Fair Share | none | 1/29/99 |
| None | 75 / 568,362 | Higate | none | 10/9/98 |
| None | 76 / 071,661 | If It's Plugged In, It's Connected | none | 6/16/00 |
| None | 75 / 844,302 | Networking Everything Else | none | 11/9/99 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

UNREGISTERED TRADEMARKS: List marks below or indicate "None"

Sage Systems
Electricity hasn't been this exciting since Edison
Autonomous Local Area Distributed Networking
Connected to Comfort
Obedient Home
Networking Everyday Devices
Aladn "light bulb" logotype