

Form PTO-1594
(Rev. 10/02)

OMB No. 0651-0027 (exp. 6/30/2005)

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RECORDATION FORM COVER SHEET TRADEMARKS ONLY

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):
Keraplast Technologies, Ltd.

Individual(s) Association
 General Partnership Limited Partnership
 Corporation-State - Texas
 Other _____

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

2. Name and address of receiving party(ies)

Name: KMS Ventures, Inc.
Internal Address: Suite 300
Address: _____

Street Address: 1301 West 25th Street
City: Austin State: TX Zip: 78705

Individual(s) citizenship _____
 Association _____
 General Partnership _____
 Limited Partnership _____
 Corporation-State Texas
 Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance:

Assignment Merger
 Security Agreement Change of Name
 Other _____

Execution Date: April 5, 2002

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

A. Trademark Application No.(s) _____
KERAPLAST 75/827,863

B. Trademark Registration No.(s) _____

Additional number(s) attached Yes No

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

Name: Brian J. Hubbard
Internal Address: Haynes and Boone, LLP

Street Address: 901 Main Street, Suite 3100

City: Dallas State: TX Zip: 75202

6. Total number of applications and registrations involved: 11

7. Total fee (37 CFR 3.41).....\$ 290.00

Enclosed
 Authorized to be charged to deposit account

8. Deposit account number:
08-1394

DO NOT USE THIS SPACE

9. Signature.

Brian J. Hubbard Brian J. Hubbard Nov. 18, 2002
Name of Person Signing Signature Date

Atty Docket 30140.1 Total number of pages including cover sheet, attachments, and document: 26

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

Atty. Docket 30140.1
Customer No. 000027683

TRADEMARK RECORDATION FORM COVER SHEET

4.A. (cont.)

| Trademark | Serial No. |
|------------------|-------------------|
| HHX | 75 827864 |
| HHE | 75 827859 |
| HHX | 75 827866 |
| KX | 75 827865 |
| KX | 75 827858 |
| HHE | 75 827643 |
| KERAPLAST | 75 827497 |
| KX | 75 827496 |
| KX | 75 827495 |
| KERAPLAST | 75 827494 |

COPY

SECURITY AGREEMENT

This Security Agreement (this "**Agreement**") is made as of April 5, 2002 ("**Effective Date**") by and between Keraplast Technologies, Ltd., a Texas limited partnership ("**Borrower**"), and KMS Ventures, Inc., a Texas corporation (the "**Secured Party**").

RECITALS

A. Borrower has executed and delivered (i) its certain \$1,000,000.00 promissory note dated as of the Effective Date ("**Note**") payable to the order of Secured Party, and (ii) that certain Warrant Agreement between Borrower and Secured Party dated as of the Effective Date (the "**Warrant**").

B. Secured Party has previously lent certain funds to Borrower specifically described in the appendix styled "Schedule of Debt" attached hereto and referred to herein as "**Prior Debt**".

C. In order to induce Secured Party to make the \$1,000,000.00 loan to Borrower evidenced by the Note, Borrower has agreed to grant a security interest in property to Secured Party for purposes of securing the obligations of Borrower to Secured Party.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Grant of Security Interest. As collateral security for the prompt and complete payment and performance of all of Borrower's present or future indebtedness, obligations and liabilities to Secured Party, including those evidenced by the Note and the Prior Debt, Borrower hereby grants, assigns, transfers, and conveys a security interest to Secured Party, as security, but not as an ownership interest, in and to Borrower's entire right, title and interest in, to and under the following (all of which shall collectively be called the "**Collateral**"):

(a) All Partnership Technology (as hereafter defined);

(b) All patents, patent applications, and rights to patents whether domestic or foreign, all income, royalties, profits, damages, awards, and payments relating to or payable under any of the foregoing, and all information, inventions and discoveries covered thereby, together with all provisionals, divisions, continuations, continuations in part, reissues, reexaminations or extensions thereof, including without limitation the patents and patent applications set forth on Exhibit A attached hereto, whether now owned or hereafter acquired, all income, royalties, profits, damages, awards, and payments relating to or payable under any of the foregoing, and all products and proceeds of the foregoing, including, without limitation, any claim against third parties for past, present or future infringement of any of the foregoing (collectively, the "**Patents**");

(c) All trademark, tradename and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, whether now owned or hereafter acquired, 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 any political subdivision thereof, and the entire goodwill of the business connected with the use of and symbolized by such trademarks, tradenames and servicemarks, including without limitation those set forth on Exhibit B attached hereto, and the right to recover for all past, present, and future infringement thereof, and all income, royalties, profits, damages, awards, and payments relating to or payable under any of the foregoing (collectively, the "Trademarks"); provided, however, that Secured Party shall not acquire any interest in any federal intent to use application for a trademark, servicemark, or other mark filed prior to the filing under applicable law of a verified statement of use (or equivalent) for such mark that is the subject of such application (unless Secured Party concurrently succeeds to the business, or portion thereof, to which such mark pertains, if that business is ongoing and existing);

(d) All copyrights, software, computer programs and other works of authorship subject to (or capable of becoming subject to) copyright protection and like protection, whether or not registered in the United States Copyright Office together with all renewals, modifications and extensions thereof, the right to recover for all past, present, and future infringements thereof, and all other rights of every kind whatsoever accruing thereunder or pertaining thereto, whether now owned or hereafter acquired (the "Copyrights"), and all computer programs, computer databases, computer program flow diagrams, source codes, object codes and all tangible property embodying or incorporating the Copyrights, and all income, licenses, royalties, damages, profits, and payments relating to or payable under any of the foregoing.;

(e) All present and future license agreements with respect to the Patents, the Copyrights, the Trademarks, and/or Partnership Technology, including without limitation the license agreements listed in Exhibit C to this Agreement (the "Licenses");

(f) All accounts, accounts receivable and other rights to payment arising from, in connection with or relating to the Patents, Copyrights, Trademarks, and/or Partnership Technology;

(g) All claims for damages by way of past, present and future infringements of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of any of the intellectual property rights identified above;

(h) All amendments, extensions, renewals and extensions of any of the Patents, Copyrights or Trademarks;

(i) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing;

(j) All personal property and fixture property of every kind and nature including, without limitation, all accounts, chattel paper (whether tangible or electronic), goods (including inventory, equipment, and any accessions thereto), software, instruments, investment property, documents, deposit accounts, money, commercial tort claims, letters of credit or letter-of-credit rights, supporting obligations, tax refunds, and general intangibles (including payment

(b) Each employee, agent and/or independent contractor who has participated in the discovery, conception, reduction to practice, development or creation of the property constituting the Collateral either executed an assignment of his or her entire right, title and interest in, to and under such property to Borrower, to the extent that Borrower does not already own such rights by operation of law;

(c) All of Borrower's present and future software, computer programs and other works of authorship subject to (or capable of becoming subject to) United States copyright protection (if any) the sale, licensing or other disposition of which results in royalties receivable, license fees receivable, accounts receivable or other sums owing to Borrower (collectively, "Receivables"), have not been registered with the United States Copyright Office, but, Borrower shall make application to have such works of authorship registered as set forth in Section 3(j);

(d) Borrower shall ensure that its employees assign, and shall undertake all reasonable measures to cause its agents and independent contractors to assign to Borrower their entire right, title and interest in, to and under property that may constitute the collateral. True and correct copies of all such assignments have been provided to Secured Party. Each current and former employee and consultant of Borrower has executed a written proprietary information and inventions agreement, and a complete and current copy thereof has been delivered to the Secured Party;

(e) Performance of this Agreement does not materially impair Borrowers right under any third party intellectual property and does not conflict with or result in a breach of any agreement to which Borrower is bound, except to the extent that certain intellectual property agreements prohibit the assignment of the Borrower's rights as licensee thereunder to Secured Party without the third party licensor's or other party's consent and this Agreement constitutes such a prohibited assignment and provided that Borrower has obtained all required consents (if any) and delivered copies thereof to the Secured Party;

(f) During the term of this Agreement, Borrower will not transfer or otherwise encumber any interest in the Collateral, except for non-exclusive licenses granted by Borrower to its customers in the ordinary course of business or as set forth in this Agreement;

(g) Each of the Patents, Trademarks, and Copyrights has not been abandoned, and is valid and enforceable, the information contained on each Exhibit hereto is true, correct and complete in listing all patents, patent applications, trademarks, and servicemarks (registered and unregistered) and applications therefore, tradenames, copyright registrations and applications therefore, and license agreements that are included in the collateral and no part of the Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made or threatened that any part of the Collateral violates the rights of any third party;

(h) Borrower shall promptly advise Secured Party of any material adverse change in the composition of the Collateral, including but not limited to any subsequent ownership right of the Borrower in or to any Trademark, Patent or Copyright not specified in this Agreement;

(i) Borrower shall (i) protect, defend and maintain the validity and enforceability of the Patents, Trademarks and Copyrights, (ii) use its best efforts to detect breaches and violations

of licenses and infringements of the Patents, Trademarks and Copyrights and promptly advise Secured Party in writing of material breaches, violations and infringements detected and (iii) not allow any Patents, Trademarks or Copyrights to be abandoned, forfeited or dedicated to the public without the written consent of Secured Party, which shall not be unreasonably withheld. Borrower has not yet detected any such material breach, violation or infringement and no such claim has been made or threatened; provided, however, Secured Party has been made aware that Borrower is investigating whether any violation or infringement has occurred by SouthWest Research Institute.

(j) Borrower shall promptly register the most recent version of any of Borrower's Copyrights, if not so already registered, and shall, from time to time, execute and file such other instruments, and take such further actions as Secured Party may reasonably request from time to time to perfect or continue the perfection of Secured Party's interest in the Collateral;

(k) Borrower shall (i) file federal trademark applications on any material Trademarks that are not registered and all future material Trademarks, and (ii) except to the extent not required in Borrower's reasonable business judgment, make federal applications on all of its unpatented but patentable inventions and all of its registrable but unregistered Copyrights and Trademarks;

(l) This Agreement creates, and in the case of after acquired Collateral, this Agreement will create at the time Borrower first has rights in such after acquired Collateral, in favor of Secured Party a valid and perfected first priority security interest in the Collateral in the United States securing the payment and performance of the obligations described in the Note and Prior Debt upon making the recordations set forth in Section 2 above;

(m) To its knowledge, except for, and upon, the filing with the United States Patent and Trademark office with respect to the Patents and Trademarks and the Register of Copyrights with respect to the Copyrights necessary to perfect the security interests created hereunder and except as has been already made or obtained, no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the grant by Borrower of the security interest granted hereby or for the execution, delivery or performance of this Agreement by Borrower in the U.S. or (ii) for the perfection in the United States or the exercise by Secured Party of its rights and remedies thereunder;

(n) All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Borrower with respect to the Collateral is accurate and complete in all material respects;

(o) Borrower shall not enter into any agreement that would materially impair or conflict with Borrower's obligations hereunder without Secured Party's prior written consent, which consent shall not be unreasonably withheld. Borrower shall not permit the inclusion in any material contract to which it becomes a party of any provisions that could or might in any way prevent the creation of a security interest in Borrower's rights and interest in any property included within the definition of the Collateral acquired under such contracts, except that certain intellectual property agreements may prohibit the assignment of the Borrower's rights as licensee

thereunder to Secured Party in a manner that could in effect prohibit the creation of a security interest in such agreements;

(p) Execute all documents and take any action required by Secured Party in order for Secured Party to obtain "control" (as defined in the UCC) with respect to Collateral consisting of deposit accounts, investment property, uncertificated securities, letter-of-credit rights, and electronic chattel paper

(q) Upon any executive officer of Borrower obtaining actual knowledge thereof, Borrower will promptly notify Secured Party in writing of any event that materially adversely affects the value of any material Collateral, the ability of Borrower to dispose of any material Collateral or the rights and remedies of Secured Party in relation thereto, including the levy of any legal process against any of the Collateral;

(r) To Borrower's knowledge, no claims with respect to the Collateral have been asserted and are pending (i) to the effect that the sale, licensing, pledge, or use of any of the products of Borrower's business infringes any third party's valid copyright, trademark, service mark, trade secret, or other intellectual property right, (ii) against the use by Borrower of any Collateral used in the Borrower's business as currently conducted, or (iii) challenging the ownership or use by Borrower of any of the Collateral that Borrower purports to own or use, nor, to Borrower's knowledge, is there a valid basis for such a claim described in this Paragraph (q);

(s) To Borrower's knowledge, except as described in Section 3(i) above, no third party is infringing, or in Borrower's reasonable business judgment, may be infringing, any of Borrower's rights under the Collateral;

(t) Borrower has performed and will continue to perform all acts and has paid and will continue to pay all required fees and taxes to maintain each and every item of the Collateral in full force and effect throughout the world, as applicable;

(u) If an Event of Default exists, Borrower shall use its reasonable efforts to obtain any consents, waivers, or agreements necessary to enable Secured Party to exercise its rights and remedies with respect to the Collateral;

(v) Whenever Borrower, either by itself or through any agent, employee, licensee, or designee, shall file a patent application or for the registration of any Patent, Trademark, or Copyright with the United States Patent and Trademark Office, the United States Copyright Office, or any similar office or agency in any other country or any political subdivision thereof or any applicable state agency, (i) simultaneously file or record evidence of Secured Party's Security Interest in the Collateral sufficient to meet the requirements for Secured Party's Security Interest therein to be recognized, protected, and perfected, and (ii) report such filing to Secured Party within five business days after the last day of the fiscal quarter in which such filing occurs;

(w) Borrower has not entered into an agreement or obligation to defend, indemnify, or hold harmless a non-party against a charge of misuse, unauthorized disclosure, infringement, violation or misappropriation of an intellectual property right or material, other than obligations

arising in the ordinary course of business regarding sales (and licensing) of Borrower's products and technology and services;

(x) Borrower has taken all commercially reasonable steps to protect and preserve the confidentiality of its Trade Secrets, and all accessibility, receipt, use, disclosure, delivery, dissemination, reproduction or appropriation of such Trade Secrets by or to a non-party has been pursuant to a written agreement between Borrower and such non-party. With respect to Trade Secrets owned by a non-party, all accessibility, receipt, use, disclosure, delivery, dissemination, reproduction or appropriation of such Trade Secrets by Borrower has been pursuant to a written agreement between Borrower and the owner of such Trade Secrets, or is otherwise lawful; and

(y) With respect to all products and technology included in the Collateral, Borrower maintains adequately-commented documentation reasonably sufficient to allow such products and technology to be maintained and modified without undue burden by reasonably competent scientists or engineers skilled in the technology who have access to such documentation.

4. Secured Party's Rights. Secured Party shall have the right, but not the obligation, to take, at Borrower's sole expense, any actions that Borrower is required under this Agreement to take but which Borrower fails to take, after five (5) days' written notice to Borrower. Borrower shall reimburse and indemnify Secured Party for all costs and expenses incurred in the reasonable exercise of its rights under this Section 4.

5. Scope of Security Interest.

(a) The security interest shall not attach to any agreement, right, license or permit to which the Borrower is a party if the creation of the security interest would constitute a breach or permit the acceleration of obligations thereunder. The Borrower shall hold its interest in such agreement, right, license or permit in trust for the Secured Party, and shall assign such agreement, right, license or permit to the Secured Party or as it may direct forthwith upon obtaining the consent of the other party thereto.

(b) The Borrower's rights to commercially exploit the Collateral, to defend the Collateral, to enforce the Borrower's rights therein or with respect thereto against third parties in any court or to claim and be entitled to receive any damages with respect to any infringement thereof shall not be affected by the granting of the security interest in the Collateral provided under this Agreement until such time as such security interest shall become enforceable

6. Inspection Rights. Borrower hereby grants to Secured Party and its employees, representatives and agents the right to visit, during reasonable hours upon prior reasonable written notice to Borrower, and any of Borrower's plants and facilities that manufacture, install or store products (or that have done so during the prior six-month period) that are sold utilizing any of the Collateral, and to inspect the products and quality control records relating thereto upon reasonable written notice to Borrower and as often as may be reasonably requested; provided, however, nothing herein shall entitle Secured Party access to Borrower's trade secrets and other proprietary information.

7. Further Assurances; Attorney in Fact.

(a) Borrower will, subject to any prior licenses, encumbrances and restrictions and prospective licenses, make, execute, acknowledge and deliver, and file and record in the proper filing and recording places in the United States, all such instruments, including, appropriate financing and continuation statements and collateral agreements and filings with the United States Patent and Trademarks Office and the Register of Copyrights, and take all such action as may reasonably be deemed necessary or advisable, or as requested by Secured Party, to perfect Secured Party's security interest in all Patents, Trademarks and Copyrights and otherwise to carry out the intent and purposes of this Agreement, or for assuring and confirming to Secured Party the grant or perfection of a security interest in all Collateral.

(b) Upon an Event of Default, Borrower hereby irrevocably appoints Secured Party as Borrower's attorney-in-fact, with full authority in the place and stead of Borrower and in the name of Borrower, Secured Party or otherwise, from time to time in Secured Party's discretion, upon Borrower's failure or inability to do so, to take any action and to execute any instrument which Secured Party may deem reasonably necessary or advisable to accomplish the purposes of this Agreement, including:

(i) To modify this Agreement without first obtaining Borrower's approval of or signature to such modification by amending Exhibits A, Exhibit B and Exhibit C, thereof, as appropriate, to include reference to any right, title or interest in any Patents, Trademarks or Copyrights acquired by Borrower after the execution hereof or to delete any reference to any right, title or interest in any Patents, Trademarks or Copyrights in which Borrower no longer has or claims any right, title or interest; and

(ii) To file, in its reasonable discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Borrower where permitted by law.

This power of attorney is a power coupled with an interest and shall be irrevocable. Secured Party shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges, and options expressly or implicitly granted to Secured Party in this Security Agreement, and shall not be liable for any failure to do so or any delay in doing so. Neither Secured Party nor any person designated by Secured Party shall be liable for any act or omission or for any error of judgment or any mistake of fact or law. This power of attorney is conferred on Secured Party solely to protect, preserve, maintain, and realize upon its security interest in the Collateral. Secured Party shall not be responsible for any decline in the value of the Collateral and shall not be required to take any steps to preserve rights against prior parties or to protect, preserve, or maintain any lien given to secure the Collateral.

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

(a) A Default (as defined in the Note) shall have occurred under the Note; or

(b) Borrower breaches any warranty or agreement made by Borrower in this Agreement and has failed to cure such breach within five (5) business days after receipt of written notice of breach from Secured Party setting forth the nature of the breach.

9. Remedies. Upon the occurrence and continuance of an Event of Default, Secured Party shall have the right to exercise all the remedies of a secured party under the Texas Business and Commerce Code, including without limitation the right to require Borrower to assemble the Collateral and any tangible property in which Secured Party has a security interest and to make it available to Secured Party at a place designated by Secured Party. Borrower will pay any expenses (including reasonable attorney's fees) incurred by Secured Party in connection with the exercise of any of Secured Party's rights hereunder, including without limitation any expense incurred in disposing of the Collateral. All of Secured Party's rights and remedies with respect to the Collateral shall be cumulative.

10. Grant of License. For purposes of enabling Secured Party to exercise its rights and remedies under this Security Agreement and enabling Secured Party and its successors and assigns to enjoy the full benefits of the Collateral, Borrower hereby grants to Secured Party an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to Borrower) to make, have made, use, sell, license, offer for sale or license, import, reproduce, distribute, display and perform publicly, prepare derivative works based upon, perform by means of digital transmission any of the Collateral including the right to sublicense any of the foregoing. Borrower shall provide Secured Party with reasonable access to all media in which any of the Collateral may be recorded or stored and all computer programs used for the completion or printout thereof. This license shall also inure to the benefit of all successors, assigns, and transferees of Secured Party. Upon the occurrence of an Event of Default, Secured Party may require that Borrower assign all of its right, title, and interest in and to the Collateral or any part thereof to Secured Party or such other person as Secured Party may designate pursuant to documents satisfactory to Secured Party. If no Event of Default exists, Debtor shall have the exclusive, non-transferable right and license to use the Collateral in the ordinary course of business and the exclusive right to grant to other persons licenses and sublicenses with respect to the Collateral for full and fair consideration.

11. Indemnity. Borrower agrees to defend, indemnify and hold harmless Secured Party and its shareholders, owners, directors, officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Agreement, and (b) all losses or expenses in any way suffered, incurred, or paid by Secured Party as a result of or in any way arising out of, following or consequential to transactions between Secured Party and Borrower, whether under this Agreement or otherwise (including without limitation, reasonable attorneys fees and reasonable expenses), except for losses arising from or out of Secured Party's gross negligence or willful misconduct.

12. Release. At such time as Borrower shall completely satisfy all of the obligations secured hereunder, Secured Party shall, upon written request from Borrower, execute and deliver to Borrower all lien releases and other instruments as may be reasonably necessary or proper to terminate Secured Party's security interest in the Collateral, subject to any disposition of the

Collateral which may have been made by Secured Party pursuant to this Agreement. For the purpose of this Agreement, the obligations secured hereunder shall be deemed to continue if Borrower enters into any bankruptcy or similar proceeding at a time when any amount paid to Secured Party could be ordered to be repaid as a preference or pursuant to a similar theory, and shall continue until it is finally determined that no such repayment can be ordered.

13. Waivers. Except to the extent expressly otherwise provided herein or in other document executed in connection herewith and to the fullest extent permitted by applicable law, Borrower waives (i) any right to require Secured Party to proceed against any other person, to exhaust its rights in Collateral, or to pursue any other right which Secured Party may have; (ii) presentment and demand for payment, protest, notice of protest and nonpayment, and notice of the intention to accelerate; and (iii) all rights of marshaling in respect of any and all of the Collateral.

14. No Waiver. No course of dealing between Borrower and Secured Party, nor any failure to exercise nor any delay in exercising, on the part of Secured Party, any right, power, or privilege under this Agreement or any other agreement, shall operate as a waiver. No single or partial exercise of any right, power, or privilege under this Agreement or any other agreement by Secured Party shall preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege by Secured Party.

15. Rights Are Cumulative. All of Secured Party's rights and remedies with respect to the Collateral whether established by this Agreement or the Note or any other documents or agreements, or by law shall be cumulative and may be exercised concurrently or in any order.

16. Course of Dealing. No course of dealing, nor any failure to exercise, nor any delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

17. Amendments. Except as otherwise provided herein, this Agreement may be amended only by a written instrument signed by both parties hereto. This Agreement and the documents relating thereto comprise the entire agreement of the parties with respect to the matters addressed in this Agreement.

18. Severability. The provisions of this Agreement are severable. If any provision of this Agreement is held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such provision, or part thereof, in such jurisdiction, and shall not in any manner affect such provision or part thereof in any other jurisdiction, or any other provision of this Agreement in any jurisdiction.

19. Texas Law and Jurisdiction. This Agreement shall be governed by the laws of the State of Texas, in addition to applicable laws of the federal government of the United States, without regard for choice of law provisions. Borrower consents to the nonexclusive jurisdiction of any state or federal court located in Travis County, Texas.

20. Confidentiality. In handling any confidential information, Secured Party shall exercise the same degree of care that it exercises with respect to its own proprietary information of the same types to maintain the confidentiality of any non-public information thereby received

or received pursuant to this Agreement except that the disclosure of this information may be made (i) to the affiliates of the Secured Party, (ii) to prospective transferee or purchasers of an interest in the obligations secured hereby, provided that they have entered into a comparable confidentiality agreement in favor of Borrower and have delivered a copy to Borrower, (iii) as required by law, regulation, rule or order, subpoena judicial order or similar order and (iv) as may be required in connection with the examination, audit or similar investigation of Secured Party.

21. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute the same instrument.

22. Headings. Headings are inserted solely for the convenience of reference and shall not constitute part of this Agreement nor shall they affect the meaning or effect of the text.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

BORROWER:

By: KERAPLAST TECHNOLOGIES, LTD.

By: Keraplast Technologies Management, LLC



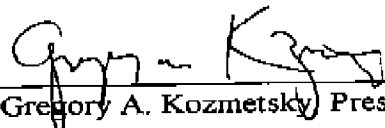
Tim Herring, President

Address of Borrower:

19206 Huebner Road, Suite 102
San Antonio, Texas 78258

SECURED PARTY:

KMS Ventures, Inc.

By: 

Gregory A. Kozmetsky, President

Address of Secured Party:

1301 West 25th Street, Suite 300
Austin, Texas 78705

EXHIBIT A
PATENTS

Exhibit A

KERAPLAST TECHNOLOGIES, LTD.

ISSUED PATENTS INDEX

| Case | Patent No. | Entitled | Date Issued |
|------|--------------|---|--------------------|
| 1 | 5,358,935 | Nonantigenic Keratinous Protein Material | October 25, 1994 |
| 2 | 5,932,552 | Keratin-based Hydrogel for Biomedical Applications and Method of Production | August 3, 1999 |
| 2a | 6,159,496 | Keratin-based Hydrogel for Biomedical Applications and Method of Production | December 12, 2000 |
| 3 | 5,948,432 | Keratin-based Sheet Material for Biomedical Applications and Method of Production | September 7, 1999 |
| 3a | 6,165,496 | Keratin-based Sheet Material for Biomedical Applications and Method of Production | December 26, 2000 |
| 4 | 6,274,163 B1 | Keratinous Protein Material for Wound Healing Applications and Method | August 14, 2001 |
| 5 | 6,110,487 | Method of Making Porous Keratin Scaffolds and Products of Same | August 29, 2000 |
| 6 | 6,124,265 | Method of Making and Cross-linking Keratin-based Films and Sheets | September 26, 2000 |
| 7 | 6,159,495 | Porous and Bulk Keratin Bio-Polymers | December 12, 2000 |
| 8 | 6,270,791 B1 | Soluble Keratin Peptide | August 7, 2001 |
| 9 | 6,316,598 B1 | Water Absorbent Keratin and Gel Formed Therefrom | November 13, 2001 |
| 12 | 6,274,155 | Non-woven Sheet and Film Containing Water Absorbent Keratin | August 14, 2001 |
| 15 | 6,270,793 B1 | Absorbent Keratin Wound Dressing | August 7, 2001 |

KERAPLAST
PATENT STATUS CHART
DATE: DECEMBER 17, 2001

| FILE NO./SERIAL NO. | SHORT DESCRIPTION | U.S. STATUS | FOREIGN STATUS |
|---|---|---|--|
| Case 1 KER020/64090 4-015 <i>SWRI ID No. 2207-02</i> U.S. Patent 5,358,935 | NONANTIGENIC KERATINOUS PROTEIN MATERIAL Inventor: Robert A. Smith et al. | Filed November 19, 1992 Ser. No. 978,768 Issued October 25, 1994 | |
| Case 2 KER020/58007 4-013 <i>SWRI ID No. 2642-02</i> U.S. Patent 5,932,552 | KERATIN-BASED HYDROGEL FOR BIOMEDICAL APPLICATIONS AND METHOD OF PRODUCTION Inventor: Cheryl R. Blanchard et al. | Filed November 26, 1997 Ser. No. 08/979,456 Issued August 3, 1999 | PCT/US98/25265 Filed November 25, 1998. Published as WO 99/26595 on June 3, 1999. Chapter II Demand Filed June 24, 1999; Filed Mexican Patent - May 26 2000, Filed European Patent June 26, 2000. |
| Case 2a KER020/58007 4-004 <i>SWRI ID No. 2642-03</i> U.S. Patent 6,159,496 Cont. of Case 2, U.S. Patent 5,932,552 | KERATIN-BASED HYDROGEL FOR BIOMEDICAL APPLICATIONS AND METHOD OF PRODUCTION Inventor: Cheryl R. Blanchard et al. | Filed August 2, 1999 Ser. No. 09/365,699 Issued December 12, 2000 | |

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| FILE NO./SERIAL NO. | SHORT DESCRIPTION | U.S. STATUS | FOREIGN STATUS |
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| <p>Case 2b KER020/58007 4-004CON Ser. No. 09/736,957 Cont. of Case 2a, U.S. Patent 6,159,496</p> | <p>KERATIN-BASED HYDROGEL FOR BIOMEDICAL APPLICATIONS AND METHOD OF PRODUCTION Inventor: Cheryl R. Blanchard et al.</p> | <p>Filed December 12, 2000 Last Actions: Filed response to 5/23/01 Office Action and terminal disclaimer on 11/13/01</p> | |
| <p>Case 3 KER020/58004 4-011 SwRI ID No. 2646-02 U.S. Patent 5,948,432</p> | <p>KERATIN-BASED SHEET MATERIAL FOR BIOMEDICAL APPLICATIONS AND METHOD OF PRODUCTION Inventor: Scott F. Timmons et al.</p> | <p>Filed on November 26, 1997 Ser. No. 08/979,526 Issued September 7, 1999</p> | <p>PCT/US98/24915 filed on November 25, 1998. Published as WO 99/26570 on June 3, 1999. Chapter II Demand filed on June 24, 1999. Filed Mexican Patent - May 26 2000; Filed European Patent June 26, 2000.</p> |
| <p>Case 3a KER020/58004 4-003 SwRI ID No. 2646-03 U.S. Patent 6,165,496 Cont of Case 3, U.S. Patent 5,948,432</p> | <p>KERATIN-BASED SHEET MATERIAL FOR BIOMEDICAL APPLICATIONS AND METHOD OF PRODUCTION Inventor: Scott F. Timmons et al.</p> | <p>Filed August 2, 1999 Ser. No. 09/365,976 Issued December 26, 2000</p> | |
| <p>Case 4 KER020/58003 4-014 SwRI ID No. 2597-02 U.S. Patent 6,274,163 B1</p> | <p>KERATINOUS PROTEIN MATERIAL FOR WOUND HEALING APPLICATIONS AND METHOD Inventor: Cheryl R. Blanchard et al.</p> | <p>Filed on April 8, 1998 Ser. No. 09/057,161 Issued August 14, 2001</p> | <p>PCT/US99/07702 filed April 8, 1999. Published as WO 99/51175 on October 14, 1999. Chapter II demand filed November 8, 1999</p> |

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| FILE NO./SERIAL NO. | SHORT DESCRIPTION | U.S. STATUS | FOREIGN STATUS |
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| <p>Case 5 KER020/58004 4-008 <i>SwRI ID No. 2681-02</i></p> | <p>METHOD OF MAKING POROUS KERATIN SCAFFOLDS AND PRODUCTS OF SAME [previously METHOD OF CROSS-LINKING KERATIN-BASED FILMS, SHEETS, AND BULK MATERIALS] Inventors: Scott F. Timmons et al.</p> | <p>Filed November 24, 1998 Ser. No. 09/198,998 Issued August 29, 2000</p> | <p>Combined with USSN 08/979,526 in PCT filing.</p> |
| <p>Case 6 KER020/58004 4-009 <i>SwRI ID No. 2681-03</i></p> | <p>METHOD OF MAKING AND CROSS-LINKING KERATIN-BASED FILMS AND SHEETS [previously METHOD OF CROSS-LINKING KERATIN-BASED FILMS, SHEETS, AND BULK MATERIALS] Inventors: Scott F. Timmons et al.</p> | <p>Filed July 28, 1999 Ser. No. 09/362,253 Issued September 26, 2000</p> | <p>Combined with USSN 08/979,526 in PCT filing.</p> |
| <p>Case 7 KER020/58004 4-010 <i>SwRI ID No. 2681-04</i></p> | <p>POROUS AND BULK KERATIN BIO-POLYMERS [previously METHOD OF CROSS-LINKING KERATIN-BASED FILMS, SHEETS, AND BULK MATERIALS] Inventors: Scott F. Timmons et al.</p> | <p>Filed July 28, 1999 Ser. No. 09/362,244 Issued December 12, 2000</p> | <p>Combined with USSN 08/979,526 in PCT filing.</p> |
| <p>Case 7A KER020/58004 4-010CON Ser. No. 09/685,315 Cont. of Case 7, U.S. 6,159,495</p> | <p>KERATIN-BASED TISSUE ENGINEERING SCAFFOLD Inventors: Scott F. Timmons et al.</p> | <p>Filed October 10, 2000 Last Actions: Filed Response to 6/27/01 Office Action and Terminal Disclaimer on 11/27/01</p> | |

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| FILE NO./SERIAL NO. | SHORT DESCRIPTION | U.S. STATUS | FOREIGN STATUS |
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| <p><u>Case 8</u> 4-005 KER020/58002 <i>SWRI ID No. 2742-02</i> U.S. Patent 6,270,791 B1</p> | <p>SOLUBLE KERATIN PEPTIDE Inventors: Mark E. Van Dyke et al.</p> | <p>Filed June 11, 1999 Serial No. 09/330,550 Issued August 7, 2001</p> | <p>PCT filed June 9, 2000; PCT/US 00/15905 Demand filed 1/10/01 Nationalizations filed in Canada, Europe and Japan 12/11/01</p> |
| <p><u>Case 8a</u> KER020/58002 4-005CON Ser. No. 09/899,372 Cont. of Case 8, Serial No. 09/330,550</p> | <p>SOLUBLE KERATIN PEPTIDE Inventors: Mark E. Van Dyke et al.</p> | <p>Filed July 2, 2001 Next Steps: Response to 10/15/01 restriction requirement due 11/15/01</p> | |
| <p><u>Case 9</u> KER020/58005 4-007 <i>SWRI ID No. 2744-02</i> U.S. Patent 6,316,598 B1</p> | <p>WATER ABSORBENT KERATIN AND GEL FORMED THEREFROM Inventor: Mark E. Van Dyke et al.</p> | <p>Filed September 13, 1999 Serial No. 09/394,782 Issued 11/13/01</p> | <p>PCT filed Sept. 13, 2000; PCT/US 00/25025; Demand filed 4/12/01 Nationalizations due 3/13/02</p> |
| <p><u>Case 10</u> KER020/58008 4-012 <i>SWRI ID No. 2732-02</i> Ser. No. 09/394,783</p> | <p>IMPLANTABLE PROSTHETIC OR TISSUE EXPANDING DEVICE Inventor: Mark E. Van Dyke et al.</p> | <p>Filed September 13, 1999 Last Actions: Issue Fee paid</p> | <p>PCT filed Sept. 13, 2000; PCT/US 00/25024; Demand filed 4/12/01 Nationalizations due 3/13/02</p> |

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| FILE NO/SERIAL NO. | SHORT DESCRIPTION | U.S. STATUS | FOREIGN STATUS |
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| <p><u>Case 10a</u> KER020/58008 4-012CON Ser. No. 09/802,113 Cont. of Case 10, Serial No. 09/394,783</p> | <p>IMPLANTABLE PROSTHETIC OR TISSUE EXPANDING DEVICE Inventor: Mark E. Van Dyke et al.</p> | <p>Filed March 8, 2001 Last Actions: Filed Response to Missing Parts 6/05/01 Filed IDS 7/3/01 Next Steps:</p> | |
| <p><u>Case 10b</u> KER020/58008 4-012CIP Ser. No. 09/815,387 C-I-P of Case 10, Serial No. 09/394,783</p> | <p>IMPLANTABLE PROSTHETIC OR TISSUE EXPANDING DEVICE Inventor: James F. Zucherman et al.</p> | <p>Filed March 22, 2001 Last Actions: Filed Response to Notice to File Missing Parts on 9/26/01</p> | File PCT by 3/22/02 |
| <p><u>Case 11</u> <u>SWRI ID No. 2806-01</u></p> | <p>Number not used.</p> | | |
| <p><u>Case 12</u> KER020/58006 4-016 <u>SWRI ID No. 2769-02</u> U.S. Patent 6,274,155 B1 C-I-P of Case 9, Ser. No. 09/394,782</p> | <p>NON-WOVEN SHEET AND FILM CONTAINING WATER ABSORBENT KERATIN Inventors: Mark E. Van Dyke et al.</p> | <p>Filed February 25, 2000 Ser. No. 09/512,918 Issued August 14, 2001</p> | Combined with USSN 09/394,782 in PCT filing |

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| FILE NO./SERIAL NO. | SHORT DESCRIPTION | U.S. STATUS | FOREIGN STATUS |
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| <p><u>Case 13</u> KER020/58000 4-011 <i>SWRI ID No. 2802-02</i> Ser. No. 09/516,755</p> | <p>HYDRATABLE FORM OF KERATIN FOR USE AS A SOIL AMENDMENT Inventors: Robert Allen Smith et al.</p> | <p>Filed March 1, 2000 <u>Last Actions:</u> Filed IDS June 15, 2000; Filed missing parts July 5, 2000. <u>Next Steps:</u> Wait for office action</p> | <p>PCT/US01/05545 filed March 1, 2001; International Search Report-August 22, 2001 Demand filed 10/1/01</p> |
| <p><u>Case 14</u> KER020/58010 4-017 <i>SWRI ID No. 2812-02</i> Ser. No. 09/638,643 C-I-P of Case 16, Ser. No. 09/587,157</p> | <p>KERATIN-BASED POWDERS AND HYDROGEL FOR PHARMACEUTICAL APPLICATIONS Inventors: Arlene J. Siller-Jackson et al.</p> | <p>Filed August 14, 2000 <u>Last Actions:</u> Filed response to 9/13/01 Office Action on 11/30/01.</p> | <p>Combined with USSN 09/394,782 in PCT filing</p> |
| <p><u>Case 15</u> KER020/58009 4-018 <i>SWRI ID No. 2769-03</i> U.S. Patent 6,270,793 B1 C-I-P of Case 12, Ser. No. 09/512,918</p> | <p>ABSORBENT KERATIN WOUND DRESSING Inventors: Mark E. Van Dyke et al.</p> | <p>Filed March 20, 2000 Ser. No. 09/528,893 Issued August 7, 2001</p> | |
| <p><u>Case 16</u> KER020/58011 4-019 <i>SWRI ID No. 2839-02</i> Ser. No. 09/587,157 C-I-P of Case 15, Ser. No. 09/528,893</p> | <p>KERATIN ABSORBENTS AND THEIR HYDROGELS AND NONWOVEN MATERIALS FOR TISSUE ENGINEERING APPLICATIONS Inventors: Cheryl R. Blanchard et al.</p> | <p>Filed June 5, 2000 <u>Last Actions:</u> Response to 6/14/01 Restriction Requirement filed 7/23/01 <u>Next Steps:</u> Response to 10/10/01 Office Action due 01/10/02</p> | |

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| FILE NO./SERIAL NO. | SHORT DESCRIPTION | U.S. STATUS | FOREIGN STATUS |
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| <p>Case 17 KER020/58012 4-021 (Provisional) SWRI ID No. 2840-01</p> | <p>PERIDONTAL AND ORAL APPLICATIONS OF KERATIN MATERIALS (Provisional) Inventors: Arlene J. Siller Jackson, et al</p> | <p>Filed June 20, 2000 Abandoned</p> | |
| <p>Case 18 Ser. No. 60/212,768 KER020/26001 4-023PRO SWRI ID No. 2731</p> | <p>KERATIN MODIFIED SILICONE ELASTOMER (Provisional) Inventors: Mark E. Van Dyke, et al</p> | <p>Filed April 27, 2000 Abandoned</p> | |
| <p>Case 19 Ser. No. 60/200,543 KER020/26002 4-22PRO SWRI ID No. 2844</p> | <p>KERATIN-SILICONE COPOLYMERS AND INTERPENETRATING NETWORKS (PPN'S), METHODS OF PRODUCTION AND METHODS OF USE THEREOF Inventors: Cheryl R. Blanchard, et al</p> | <p>Filed August 15, 2000 Abandoned</p> | |
| <p>Case 20 KER 020/75000 4024US Provisional Ser. No. 60/352,396</p> | <p>SOLUBLE KERATIN PEPTIDE Inventor: Donald W. Cowsar</p> | <p>Filed January 28, 2002</p> | |

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EXHIBIT B
TRADEMARKS

Exhibit B

EXHIBIT B

U.S. Trademark and Service Mark Applications

| Mark (International Class) | Serial Number | Filing Date |
|---------------------------------------|----------------------|--------------------|
| KERAPLAST (class 3) | 75/827,863 | October 20, 1999 |
| KERAPLAST (class 5) | 75/827,497 | October 20, 1999 |
| KERAPLAST (class 42) | 75/827,494 | October 20, 1999 |
| KX (class 3) | 75/827,495 | October 20, 1999 |
| KX (class 5) | 75/827,496 | October 20, 1999 |
| KX Stylized (class 3) | 75/827,858 | October 20, 1999 |
| KX Stylized (class 5) | 75/827,858 | October 20, 1999 |

EXHIBIT C**LICENSES**

Keraplast has entered into that certain Technology License Agreement dated September 25, 2000, pursuant to which Keraplast grants to St. Francis Medical Technologies, Inc. an exclusive license to use, offer to sell and sell products derived from Keraplast's technology, including without limitation, products that make, use, or are derived from keratin developed solely by or solely for Keraplast, in the field of repair and regeneration of tissues of, or tissues associated with, the spine, including but not limited to: annulus repair and replacement; nucleus repair and replacement; fusion of the vertebral bodies, facet joints, and other bone structures; and fracture repair of vertebral bodies, only as each is associated with the spine.

SCHEDULE OF DEBT

That certain Promissory Note executed by Borrower on October 4, 2001, in the principal amount of \$1,000,000, of which \$500,000 has been funded as of the Effective Date.

PTO/SB/97 (08-00)

Approved for use through 10/31/2002. OMB 0651-0031

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