

07-14-2004

Form PTO-1594  
(Rev. 10/02)  
OMB No. 0651-0027 (exp. 6/30/2005)  
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102790479

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):

StrionAir, Inc.

7-12-04

- Individual(s)
- General Partnership
- Corporation-State
- Other \_\_\_\_\_
- Association
- Limited Partnership

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

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other \_\_\_\_\_
- Merger
- Change of Name

Execution Date: 07-02-2004

2. Name and address of receiving party(ies)

Name: Sequel Limited Partnership III

Internal Address: Suite 220

Street Address: 4430 Arapahoe Avenue

City: Boulder State: CO Zip: 80303

- Individual(s) citizenship \_\_\_\_\_
- Association \_\_\_\_\_
- General Partnership \_\_\_\_\_
- Limited Partnership \_\_\_\_\_
- Corporation-State \_\_\_\_\_
- 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

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

A. Trademark Application No. (s) \_\_\_\_\_

B. Trademark Registration No. (s) 78320881

Additional number(s) attached  Yes  No

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

Name: Nathan Seiler

Internal Address: Suite 750

Street Address: Kendall, Dickinson & Koenig PC  
1675 Broadway

City: Denver State: CO Zip: 80202

6. Total number of applications and registrations involved: \_\_\_\_\_

3

7. Total fee (37 CFR 3.41).....\$ 90

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number: \_\_\_\_\_

2004 JUL 12 PM 12:15  
OPR/FINANCE

DO NOT USE THIS SPACE

9. Signature.

Nathan Seiler

Name of Person Signing

Signature

July 2, 2004

Date

Total number of pages including cover sheet, attachments, and document: 27

07/13/2004 LNUELLER 00000159 78320881

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

01 FC:8521  
02 FC:8522

40.00 OP  
50.00 OP

TRADEMARK  
REEL: 003006 FRAME: 0719

**RECORDATION COVER SHEET CONTINUATION PAGE**

**TRADEMARKS ONLY**

**Continuation of Information Item 2.**

Name: Sequel Entrepreneurs' Fund III, L.P.  
4430 Arapahoe Avenue, Suite 220  
Boulder, CO 80303

Name: Vista Ventures Advantage, LP  
1011 Walnut Street, 4<sup>th</sup> Floor  
Boulder, CO 80302

Name: Solstice Capital II Limited Partnership  
15 Broad St.  
Boston, MA 02109

**Continuation of Information Item 4.**

B.	Trademark Registration No.(s)	76556614 78320770
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## SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of July 2, 2004 ("*Security Agreement*"), is made by STRIONAIR, INC., a Delaware corporation ("*Grantor*"), in favor of the persons and entities listed on the Schedule of Secured Parties, attached hereto (each a "*Secured Party*" and collectively the "*Secured Parties*").

### RECITALS

A. Pursuant to that certain Secured Note and Warrant Purchase Agreement dated as of July 2, 2004 (as the same may from time to time be amended, modified, supplemented or restated, the "*Purchase Agreement*"), by and between Grantor and the Secured Parties, the Secured Parties have agreed to make certain advances of money and to extend certain financial accommodation to Grantor as evidenced by certain Secured Convertible Promissory Notes (each a "*Note*" and, collectively, the "*Notes*"), each made by Grantor and payable to the Secured Parties (such advances and financial accommodations, the "*Loans*").

B. Secured Parties are willing to make the Loans to Grantor, but only upon the condition, among others, that Grantor shall have executed and delivered to Secured Parties this Security Agreement.

### AGREEMENT

NOW, THEREFORE, in order to induce Secured Parties to make the Loans and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, Grantor hereby represents, warrants, covenants and agrees as follows:

1. **DEFINED TERMS.** When used in this Security Agreement the following terms shall have the following meanings (such meanings being equally applicable to both the singular and plural forms of the terms defined). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Purchase Agreement and in the Notes:

"*Bankruptcy Code*" means Title XI of the United States Code.

"*Collateral*" shall have the meaning assigned to such term in Section 2 of this Security Agreement.

"*Contracts*" means all contracts (including any customer, vendor, supplier, service or maintenance contract), leases, licenses, undertakings, purchase orders, permits, franchise agreements or other agreements (other than any right evidenced by Chattel Paper, Documents or Instruments), whether in written or electronic form, in or under which Grantor now holds or hereafter acquires any right, title or interest, including, without limitation, with respect to an Account, any agreement relating to the terms of payment or the terms of performance thereof.

**“Copyright License”** means any agreement, whether in written or electronic form, in which Grantor now holds or hereafter acquires any interest, granting any right in or to any Copyright or Copyright registration (whether Grantor is the licensee or the licensor thereunder) including, without limitation, licenses pursuant to which Grantor has obtained the exclusive right to use a copyright owned by a third party.

**“Copyrights”** means all of the following now owned or hereafter acquired or created (as a work for hire for the benefit of Grantor) by Grantor or in which Grantor now holds or hereafter acquires or receives any right or interest, in whole or in part: (a) all copyrights, whether registered or unregistered, held pursuant to the laws of the United States, any State thereof or any other country; (b) registrations, applications, recordings and proceedings in the United States Copyright Office or in any similar office or agency of the United States, any State thereof or any other country; (c) any continuations, renewals or extensions thereof; (d) any registrations to be issued in any pending applications, 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 Grantor) or acquired by Grantor, in whole or in part; (e) prior versions of works covered by copyright and all works based upon, derived from or incorporating such works; (f) income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to copyrights, including, without limitation, damages, claims and recoveries for past, present or future infringement; (g) rights to sue for past, present and future infringements of any copyright; and (h) any other rights corresponding to any of the foregoing rights throughout the world.

**“Event of Default”** means (a) any failure by Grantor forthwith to pay or perform any of the Secured Obligations, (b) any report, information or notice made to, obtained or received by Secured Parties at any time after the date hereof indicating that Secured Parties’ security interest is not prior to all other security interests or other interests reflected in such report, information or notice, except as a result of any Permitted Lien or as otherwise permitted hereunder, (c) any breach by Grantor of any warranty, representation, or covenant set forth herein in any material respect, and (d) any “Event of Default” as defined in the Notes.

**“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 Grantor or in which Grantor now holds or hereafter acquires or receives any right or interest, and shall include any renewals or extensions of any of the foregoing thereof.

**“Lien”** means any mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

**“Patent License”** means any agreement, whether in written or electronic form, in which Grantor now holds or hereafter acquires any interest, granting any right with respect to any invention on which a Patent is in existence (whether Grantor is the licensee or the licensor thereunder).

**“Patents”** means all of the following in which Grantor now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and

Obligations.” Each of the foregoing defined terms shall include all of such items now owned, or hereafter acquired, by Grantor.

**2. GRANT OF SECURITY INTEREST.** As collateral security for the full, prompt, complete and final payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all the Secured Obligations and in order to induce Secured Parties to cause the Loans to be made, Grantor hereby assigns, conveys, mortgages, pledges, hypothecates and transfers to each Secured Party, and hereby grants to each Secured Party, a security interest in all of Grantor’s right, title and interest in, to and under the following, whether now owned or hereafter acquired, (all of which being collectively referred to herein as the “*Collateral*”):

(a) All Accounts of Grantor;

(b) All Chattel Paper of Grantor;

(c) All Commercial Tort Claims of Grantor;

(d) All Contracts of Grantor;

(e) All Deposit Accounts of Grantor;

(f) All Documents of Grantor;

(g) All Equipment of Grantor;

(h) All Fixtures of Grantor;

(i) All General Intangibles of Grantor, including, without limitation, Payment Intangibles, all Copyrights, Patents, Trademarks, Licenses, designs, drawings, technical information, marketing plans, customer lists, trade secrets, proprietary or confidential information, inventions (whether or not patentable), procedures, know-how, models and data;

(j) All Instruments of Grantor, including, without limitation, Promissory Notes;

(k) All Inventory of Grantor;

(l) All Investment Property of Grantor;

(m) All Letter-of Credit Rights of Grantor;

(n) All Supporting Obligations of Grantor;

(o) All property of Grantor held by a Secured Party, or any other party for whom a Secured Party is acting as agent hereunder, including, without limitation, all property of every-description now or hereafter in the possession or custody of or in transit to a Secured Party or such other party for any purpose, including, without limitation, safekeeping, collection or pledge, for the account of Grantor, or as to which Grantor may have any right or power;

or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

**(b)** Secured Parties authorize Grantor to collect its Accounts, provided that such collection is performed in a prudent and businesslike manner, and Secured Parties may, upon the occurrence and during the continuation of any Event of Default and without notice, limit or terminate said authority at any time. Upon the occurrence and during the continuance of any Event of Default, at the request of Secured Parties, Grantor shall deliver all original and other documents evidencing and relating to the performance of labor or service which created such Accounts, including, without limitation, all original orders, invoices and shipping receipts.

**(c)** Secured Parties may at any time, upon the occurrence and during the continuance of any Event of Default, without notifying Grantor of their intention to do so, notify Account Debtors of Grantor, parties to the Contracts of Grantor, obligors in respect of Instruments of Grantor and obligors in respect of Chattel Paper of Grantor that the Accounts and the right, title and interest of Grantor in and under such Contracts, Instruments and Chattel Paper have been assigned to Secured Parties and that payments shall be made directly to Secured Parties. Upon the request of Secured Parties, Grantor shall so notify such Account Debtors, parties to such Contracts, obligors in respect of such Instruments and obligors in respect of such Chattel Paper. Upon the occurrence and during the continuance of any Event of Default, Secured Parties may, in their names or in the name of others, communicate with such Account Debtors, parties to such Contracts, obligors in respect of such Instruments and obligors in respect of such Chattel Paper to verify with such parties, to Secured Parties' satisfaction, the existence, amount and terms of any such Accounts, Contracts, Instruments or Chattel Paper.

**4. REPRESENTATIONS AND WARRANTIES.** Grantor hereby represents and warrants to Secured Parties that:

**(a)** Except for the security interest granted to Secured Parties under this Security Agreement and Permitted Liens, Grantor is the sole legal and equitable owner of or has the power to transfer or, as to Intellectual Property licensed from other persons, licenses each item of the Collateral in which it purports to grant a security interest hereunder, having good and marketable title thereto or the power to transfer, free and clear of any and all Liens except for Permitted Liens.

**(b)** No effective security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral exists, except such as may have been filed by Grantor in favor of Secured Parties pursuant to this Security Agreement and except for Permitted Liens.

**(c)** This Security Agreement creates a legal and valid security interest on and in all of the Collateral in which Grantor now has rights, and all filings and other actions necessary or desirable to perfect such security interest have been duly taken. Accordingly, upon the proper filing of a Financing Statement on Form UCC-1, Secured Parties have a fully perfected security interest in all of the Collateral in which Grantor now has rights subject only to Permitted Liens. This Security Agreement will create a legal and valid and fully perfected security interest in the

forth on Schedule E, none of the Patents, Trademarks or Copyrights has been licensed to any third party.

**5. COVENANTS.** Grantor covenants and agrees with Secured Parties that from and after the date of this Security Agreement and until the Secured Obligations have been performed and paid in full:

**(a) Disposition of Collateral.** Grantor shall not sell, lease, transfer or otherwise dispose of any of the Collateral, or attempt or contract to do so, other than (a) the sale of Inventory, (b) the granting of non-exclusive Licenses and (c) the disposal of worn-out or obsolete Equipment, all in the ordinary course of Grantor's business.

**(b) Change of Jurisdiction of Organization, Relocation of Business or Collateral.** Grantor shall not change its jurisdiction of organization, relocate its chief executive office, principal place of business or its records, or allow the relocation of any Collateral (other than to another location in Boulder County, Colorado after providing advance notice to the Secured Parties) from such address(es) provided to Secured Parties pursuant to Section 4(d) above without thirty (30) days prior written notice to Secured Parties.

**(c) Limitation on Liens on Collateral.** Grantor shall not, directly or indirectly, create, permit or suffer to exist, and shall defend the Collateral against and take such other action as is necessary to remove, any Lien on the Collateral, except (a) Permitted Liens and (b) the Lien granted to Secured Parties under this Security Agreement. Grantor shall further use commercially reasonable efforts to defend the right, title and interest of Secured Parties in and to any of Grantor's rights under the Chattel Paper, Contracts, Documents, General Intangibles, Instruments and Investment Property and to the Equipment and Inventory and in and to the Proceeds thereof against the claims and demands of all persons whomsoever, except for (a) Permitted Liens and (b) with respect to rights of the Secured Parties among themselves in such Collateral.

**(d) Insurance.** Grantor shall maintain insurance policies insuring the Collateral against loss or damage from such risks and in such amounts and forms and with such companies as are customarily maintained by businesses similar to Grantor.

**(e) Taxes, Assessments, Etc.** Grantor shall pay promptly when due all property and other taxes, assessments and government charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Equipment, Fixtures or Inventory, except to the extent the validity thereof is being contested in good faith and adequate reserves are being maintained in connection therewith.

**(f) Maintenance of Records.** Grantor shall keep and maintain at its own cost and expense satisfactory and complete records of the Collateral. Grantor shall not create any Chattel Paper without placing a legend on the Chattel Paper acceptable to Secured Parties indicating that Secured Parties have a security interest in the Chattel Paper.

**(g) Defense of Intellectual Property.** Grantor shall use commercially reasonable efforts to (i) protect, defend and maintain the validity and enforceability of the Copyrights, Patents and Trademarks, (ii) detect infringements of the Copyrights, Patents and Trademarks and

such Collateral or part thereof. In addition to a private sale as provided above in this Section 6(b), if any of such Collateral shall not be freely distributable to the public without registration under the Act at the time of any proposed sale hereunder, then Secured Parties shall not be required to effect such registration or cause the same to be effected but may, in their sole discretion (subject only to applicable requirements of law), require that any sale hereunder (including a sale at auction) be conducted subject to such restrictions as Secured Parties may, in their sole discretion, deem necessary or appropriate in order that such sale (notwithstanding any failure so to register) may be effected in compliance with the Bankruptcy Code and other laws affecting the enforcement of creditors' rights and the Act and all applicable state securities laws.

(c) Grantor agrees that in any sale of any of such Collateral, whether at a foreclosure sale or otherwise, Secured Parties are hereby authorized to comply with any limitation or restriction in connection with such sale as they may be advised by counsel is necessary in order to avoid any violation of applicable law (including compliance with such procedures as may restrict the number of prospective bidders and purchasers, require that such prospective bidders and purchasers have certain qualifications and restrict such prospective bidders and purchasers to persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Collateral), or in order to obtain any required approval of the sale or of the purchaser by any governmental authority, and Grantor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall Secured Parties be liable nor accountable to Grantor for any discount allowed by the reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

(d) Grantor also agrees to pay all fees, costs and expenses of Secured Parties, including, without limitation, reasonable attorneys' fees, incurred in connection with the enforcement of any of their rights and remedies hereunder.

(e) Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Security Agreement or any Collateral.

(f) The Proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be distributed by Secured Parties in the following order of priorities:

**FIRST**, to Secured Parties in an amount sufficient to pay in full the reasonable costs of Secured Parties in connection with such sale, disposition or other realization, including all fees, costs, expenses, liabilities and advances incurred or made by Secured Parties in connection therewith, including, without limitation, reasonable attorneys' fees;

**SECOND**, to Secured Parties in an amount equal to the then unpaid Secured Obligations; and

**FINALLY**, upon payment in full of the Secured Obligations, to Grantor or its representatives, in accordance with the UCC or as a court of competent jurisdiction may direct.

**7. INDEMNITY.** Grantor agrees to defend, indemnify and hold harmless Secured Parties and their officers, employees, and agents against (a) all obligations, demands, claims, and



State of Colorado applicable to contracts made and performed in such state, without regard to the principles thereof regarding conflict of laws, except to the extent that the UCC provides for the application of the law of Grantor's jurisdiction of formation.

**[Remainder of Page Intentionally Left Blank]**

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

**ADDRESS OF GRANTOR**

**STRIONAIR, INC.**

410 South Arthur Avenue

By: 

Louisville, CO 80027

Printed Name: Bruce Dawson

Title: President and Chief Executive Officer

**TAXPAYER IDENTIFICATION NUMBER OF GRANTOR**

**JURISDICTION OF ORGANIZATION OF GRANTOR**

84-1440347

Delaware

**ACCEPTED AND ACKNOWLEDGED BY:**

**SECURED PARTIES**

**SEQUEL LIMITED PARTNERSHIP III**

By: Sequel Venture Partners III, L.L.C., its  
General Partner

By: \_\_\_\_\_  
John Greff, Manager

**SEQUEL ENTREPRENEURS' FUND III, L.P.**

By: Sequel Venture Partners III, L.L.C., its  
General Partner

By: \_\_\_\_\_  
John Greff, Manager

**SCHEDULE OF SECURED PARTIES**

**SEQUEL LIMITED PARTNERSHIP III**

4430 Arapahoe Avenue, Suite 220  
Boulder, CO 80303  
Attn: John Greff

**SEQUEL ENTREPRENEURS' FUND III, L.P.**

4430 Arapahoe Avenue, Suite 220  
Boulder, CO 80303  
Attn: John Greff

**VISTA VENTURES ADVANTAGE, LP**

1011 Walnut Street, 4th Floor  
Boulder, CO 80302  
Attn: Kirk Holland

**SOLSTICE CAPITAL II LIMITED PARTNERSHIP**

15 Broad St.  
Boston, MA 02109  
Attn: Henry W. Newman

## **SCHEDULE A**

### **PERMITTED LIENS**

The Grantor has granted Silicon Valley Bank a security interest in the Grantor's assets pursuant to the terms of that certain Loan and Security Agreement dated as of September 3, 2003 and an Intellectual Property Security Agreement dated as of September 3, 2003, as amended by an Addendum dated December 17, 2003.

## **SCHEDULE B**

### **LOCATION OF COLLATERAL**

An employee of the Grantor maintains a home office in Fincastle, Virginia.

As part of the normal course of business, the Grantor may have certain inventory that temporarily resides at manufacturing facilities of certain subcontractors.

**SCHEDULE C**

**CHATTEL PAPER, INSTRUMENTS, INVESTMENT PROPERTY**

NONE.

**SCHEDULE D**

**DEPOSIT ACCOUNTS**

**[Redacted]**

**SCHEDULE E**

**COPYRIGHTS, PATENTS, AND TRADEMARKS**

Patents:

U.S. Patent 5,549,735, Electrostatic Fibrous Filter.

U.S. Patent 5,593,476, Method and Apparatus for use in Electronically Enhanced Air Filtration.

U.S. Patent Application Number 10-721, 940, Electronic Air Filtration with Improved Efficacy.

Trademarks:

The Company has filed for trademark registration for the following marks: STRIONAIR (Serial #78320881), STRIONAIR & design (Serial #76556614), and STRION (Serial #78320770)