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



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To the Director of the U.S. Patent and Trademark Office

Attachments or the new address(es) below.

1. Name of conveying party(ies)/Execution Date(s):
XTERA COMMUNICATIONS, INC.

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

Citizenship (see guidelines) _____

Execution Date(s) October 26, 2004

Additional names of conveying parties attached? Yes No

3. Nature of conveyance:

Assignment Merger
 Security Agreement Change of Name
 Other _____

2. Name and address of receiving party(ies)
Additional names, addresses, or citizenship attached? Yes No

Name: Horizon Technology Funding Company LLC

Internal Address: _____

Address: _____

Street Address: 76 Batterson Park Road

City: Farmington

State: Connecticut

Country: USA Zip: 06032

Association Citizenship _____
 General Partnership Citizenship _____
 Limited Partnership Citizenship _____
 Corporation Citizenship _____
 Other LLC Citizenship _____

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)

4. Application number(s) or registration number(s) and identification or description of the Trademark.

A. Trademark Application No.(s) _____

B. Trademark Registration No.(s) 75/859,955; 76/011,575;

Additional sheet(s) attached? Yes No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

5. Name & address of party to whom correspondence concerning document should be mailed:
Name: John C. Bombara

Internal Address: _____

Street Address: 76 Batterson Park Road

City: Farmington

State: Connecticut Zip: 06032

Phone Number: 860-676-8657

Fax Number: 860-676-8655

Email Address: jay@horizontechfinance.com

6. Total number of applications and registrations involved: 2

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ _____

Authorized to be charged by credit card
 Authorized to be charged to deposit account
 Enclosed

8. Payment Information:

a. Credit Card Last 4 Numbers _____
 Expiration Date _____

b. Deposit Account Number _____
 Authorized User Name _____

9. Signature: *John C. Bombara* 10/26/04

Signature Date

John C. Bombara
Name of Person Signing

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

Documents to be recorded (including cover sheet) should be faxed to (703) 306-5995, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

02/18/2005 JJALLANE 00000010 75859955
 01 FC: 8521 40.00 DP
 02 FC: 8522 25.00 DP

GRANT OF SECURITY INTEREST
TRADEMARKS

THIS GRANT OF SECURITY INTEREST, dated as of October ~~16~~, 2004, is executed by XTERA COMMUNICATIONS, INC., a Delaware corporation with an address of 500 W. Bethany Drive, Allen, Texas 75013 ("Debtor"), in favor of HORIZON TECHNOLOGY FUNDING COMPANY LLC, a Delaware limited liability company with an address of 76 Batterson Park Road, Farmington, Connecticut 06032 ("Secured Party").

A. Pursuant to a certain Venture Loan and Security Agreement, dated as of the date hereof (the "Agreement") by and between Debtor and the Secured Party, the Secured Party has agreed to extend certain credit facilities to Debtor upon the terms and subject to the conditions set forth therein;

B. Debtor owns the registered trademarks, service marks (and applications and registrations therefor), of the United States, more particularly described on Schedules 1-A and 1-B annexed hereto as part hereof (collectively, the "Trademarks");

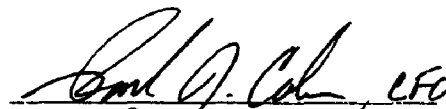
C. Pursuant to the Agreement, Debtor has granted to Secured Party a security interest in all right, title and interest of Debtor in and to the Trademarks, together with associated goodwill, and all proceeds thereof, including any and all causes of action which may exist by reason of infringement thereof for the full term of the Trademarks (the "Collateral"), to secure the prompt payment, performance and observance of the Obligations (as defined in the Agreement);

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, Debtor does hereby further grant to Secured Party a security interest in the Collateral to secure the prompt payment, performance and observance of the Obligations.

Debtor does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the security interest in the Collateral granted hereby are more fully set forth in the Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein.

IN WITNESS WHEREOF, Debtor has caused this instrument to be executed as of the day and year first written above.

XTERA COMMUNICATIONS, INC.

By: 
Name: Paul J. Colan
Title: CFO

SCHEDULE 1-A TO GRANT OF SECURITY INTEREST

TRADEMARKS

Trademark	Owner	Registration Number	Registration Date
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See Attached.


SCHEDULE 1-B TO GRANT OF SECURITY INTEREST

TRADEMARK APPLICATIONS

Trademark Application	Owner	Application Number	Application Date
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None

Schedule 1-A
XTERA COMMUNICATIONS, INC.
Trademark Status Report
October 12, 2004

<i>Trademark</i>	<i>Country</i>	<i>Status</i>
XTERA Serial No. 75/859,955 Filed: November 29, 1999 Reg. No. 2,786,774 Reg. Date: November 25, 2003	US	<i>Registered</i>
 Serial No. 76/011,575 Filed: March 24, 2000 Reg. No. 2,750,767 Reg. Date: August 12, 2003	US	<i>Registered</i>