

TRADEMARK ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT		
NATURE OF CONVEYANCE:	SECURITY INTEREST		
CONVEYING PARTY DATA			
Name	Formerly	Execution Date	Entity Type
Niagara Dispensing Technologies, Inc.		03/08/2006	CORPORATION: DELAWARE
RECEIVING PARTY DATA			
Name:	Rand Capital SBIC, L.P.		
Street Address:	2200 Rand Building		
City:	Buffalo		
State/Country:	NEW YORK		
Postal Code:	14203		
Entity Type:	LIMITED PARTNERSHIP:		
Name:	Empire State Development - Small Business Technology Investment Fund		
Street Address:	420 Main Street		
Internal Address:	Suite 717		
City:	Buffalo		
State/Country:	NEW YORK		
Postal Code:	14202		
Entity Type:	STATE AGENCY:		
Name:	Buffalo and Erie County Regional Development Corporation		
Street Address:	275 Oak Street		
City:	Buffalo		
State/Country:	NEW YORK		
Postal Code:	14203		
Entity Type:	CORPORATION:		
Name:	William S. Boyd		
Street Address:	7 Skyridge Road		
City:	Chittenango		

CH \$140.00 78700105

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TRADEMARK
REEL: 003617 FRAME: 0226

State/Country:	NEW YORK
Postal Code:	13037
Entity Type:	INDIVIDUAL:

Name:	Audry S. Boyd
Street Address:	7 Skyridge Road
City:	Chittenango
State/Country:	NEW YORK
Postal Code:	13037
Entity Type:	INDIVIDUAL:

Name:	Geraldine Fichte
Street Address:	4202 Lower River Road
City:	Youngstown
State/Country:	NEW YORK
Postal Code:	14174
Entity Type:	INDIVIDUAL:

Name:	2400 Pine Avenue LLC
Street Address:	4202 Lower River Road
City:	Youngstown
State/Country:	NEW YORK
Postal Code:	14174
Entity Type:	LIMITED LIABILITY COMPANY:

Name:	Charles Gelia
Street Address:	37 Spicebush Lane
City:	Williamsville
State/Country:	NEW YORK
Postal Code:	14221
Entity Type:	INDIVIDUAL:

Name:	Donald Hofmar
Street Address:	365 Brantwood Road
City:	Snyder
State/Country:	NEW YORK
Postal Code:	14226
Entity Type:	INDIVIDUAL:

Name:	Brad Johnson

Street Address:	8231 23rd Avenue, NE
City:	Seattle
State/Country:	WASHINGTON
Postal Code:	98115
Entity Type:	INDIVIDUAL:

Name:	Elizabeth Boyd-Johnson
Street Address:	8231 23rd Avenue, NE
City:	Seattle
State/Country:	WASHINGTON
Postal Code:	98115
Entity Type:	INDIVIDUAL:

Name:	Courtney Johnston
Street Address:	55 Fox Chapel Road
City:	Williamsville
State/Country:	NEW YORK
Postal Code:	14221
Entity Type:	INDIVIDUAL:

Name:	Thomas Branchini
Street Address:	5126 Forest Road
City:	Lewiston
State/Country:	NEW YORK
Postal Code:	14092
Entity Type:	INDIVIDUAL:

Name:	William J. Magavern II
Street Address:	Magavern Magavern Grimm LLP
Internal Address:	1100 Rand Building, 14 Lafayette Square
City:	Buffalo
State/Country:	NEW YORK
Postal Code:	14203
Entity Type:	INDIVIDUAL:

Name:	Robert G. Shaw
Street Address:	280 Berkley Road
City:	Williamsville
State/Country:	NEW YORK
Postal Code:	14221

Entity Type:	INDIVIDUAL:
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Name:	Kathleen A. Shaw
Street Address:	280 Berkley Road
City:	Williamsville
State/Country:	NEW YORK
Postal Code:	14221
Entity Type:	INDIVIDUAL:

Name:	John DiFiore
Street Address:	5150 Country Club Trail
City:	Lewiston
State/Country:	NEW YORK
Postal Code:	14092
Entity Type:	INDIVIDUAL:

Name:	James L. Magavern
Street Address:	55 Argyle Park
City:	Buffalo
State/Country:	NEW YORK
Postal Code:	14222
Entity Type:	INDIVIDUAL:

Name:	Francis Faust
Street Address:	23 Highland Avenue
City:	Buffalo
State/Country:	NEW YORK
Postal Code:	14222
Entity Type:	INDIVIDUAL:

Name:	Edward Gelia Sr.
Street Address:	6342 Midnight Pass Road
City:	Siesta Key
State/Country:	FLORIDA
Postal Code:	34242
Entity Type:	INDIVIDUAL:

Name:	Toby D. Kinerk
Street Address:	56 Waterfront Circle
City:	Buffalo

State/Country:	NEW YORK
Postal Code:	14202
Entity Type:	INDIVIDUAL:

Name:	Gerald T. Stay
Street Address:	8148 Driftwood Court
City:	Williamsville
State/Country:	NEW YORK
Postal Code:	14221
Entity Type:	INDIVIDUAL:

Name:	William F. Clarke
Street Address:	110 Pine Tree Road
City:	Radnor
State/Country:	PENNSYLVANIA
Postal Code:	19087
Entity Type:	INDIVIDUAL:

Name:	Gary M. Brost
Street Address:	9810 Main Street
City:	Clarence
State/Country:	NEW YORK
Postal Code:	14031
Entity Type:	INDIVIDUAL:

Name:	John F. Dunbar Jr.
Street Address:	9560 Cobblestone Drive
City:	Clarence
State/Country:	NEW YORK
Postal Code:	14031
Entity Type:	INDIVIDUAL:

Name:	Robert D. Gioia
Street Address:	36 Rumsey Road
City:	Buffalo
State/Country:	NEW YORK
Postal Code:	14209
Entity Type:	INDIVIDUAL:

Name:	William L. Joyce

Street Address:	74 Keswick Road
City:	Eggertsville
State/Country:	NEW YORK
Postal Code:	14226
Entity Type:	INDIVIDUAL:

Name:	Dennis C. Martin
Street Address:	81 Buffalo Creek Road
City:	Elma
State/Country:	NEW YORK
Postal Code:	14059
Entity Type:	INDIVIDUAL:

Name:	David M. Zebro
Street Address:	169 Halston Parkway
City:	East Amherst
State/Country:	NEW YORK
Postal Code:	14051
Entity Type:	INDIVIDUAL:

Name:	David Gelia
Street Address:	90 Bryant Woods South
City:	Amherst
State/Country:	NEW YORK
Postal Code:	14228
Entity Type:	INDIVIDUAL:

Name:	Michael D. Schiff MD
Street Address:	5079 Forest Road
City:	Lewiston
State/Country:	NEW YORK
Postal Code:	14092
Entity Type:	INDIVIDUAL:

Name:	Joseph J. Castiglia
Street Address:	1749 Reading Road
City:	West Falls
State/Country:	NEW YORK
Postal Code:	14170
Entity Type:	INDIVIDUAL:

Name:	XTEC, LLC
Street Address:	34 Manitoba Street
Internal Address:	c/o Kevin Shine
City:	Buffalo
State/Country:	NEW YORK
Postal Code:	14206
Entity Type:	LIMITED LIABILITY COMPANY:

Name:	Celtic Capital, LLC
Street Address:	100 Seneca Street
Internal Address:	c/o F. James Maguire
City:	Buffalo
State/Country:	NEW YORK
Postal Code:	14203
Entity Type:	LIMITED LIABILITY COMPANY:

Name:	Samuel D. Magavern Trust #2
Street Address:	1100 Rand Building, 14 Lafayette Square
Internal Address:	William J. Magavern, II, Trustee; James L. Magavern, Trustee; Isabel K. Smith, Trustee
City:	Buffalo
State/Country:	NEW YORK
Postal Code:	14203
Entity Type:	TRUST:

Name:	Jeffrey Meilman, MD Profit Sharing Plan
Street Address:	811 Maple Road
Internal Address:	FBO Jeffrey Meilman
City:	Williamsville
State/Country:	NEW YORK
Postal Code:	14221
Entity Type:	Profit Sharing Plan:

Name:	Amherst Tech Ventures LLC
Street Address:	9360 Hunting Valley South
Internal Address:	Donald Hess, President
City:	Clarence
State/Country:	NEW YORK
Postal Code:	14031
Entity Type:	LIMITED LIABILITY COMPANY:

Name:	Law Offices of Meilman & Costa PC, Profit Sharing Plan
Street Address:	170 Oliver Road
Internal Address:	FBO Stephanie K. Meilman
City:	Waban
State/Country:	MASSACHUSETTS
Postal Code:	02468
Entity Type:	Profit Sharing Plan:

PROPERTY NUMBERS Total: 5

Property Type	Number	Word Mark
Serial Number:	78700105	EXACTAP
Serial Number:	78764551	EXACTPOUR
Serial Number:	78764717	A PERFECT POUR EVERYTIME
Serial Number:	77018622	DRAFTBLASTER
Serial Number:	77136523	KEGWIZARD

CORRESPONDENCE DATA

Fax Number: (716)856-3390
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
 Phone: (716) 856-3500
 Email: slankenau@magavern.com
 Correspondent Name: Susan M. Lankenau, Esq.
 Address Line 1: 1100 Rand Building, 14 Lafayette Square
 Address Line 4: Buffalo, NEW YORK 14203

ATTORNEY DOCKET NUMBER:	12233.0005
NAME OF SUBMITTER:	Susan M. Lankenau
Signature:	/susan m lankenau/
Date:	09/05/2007

Total Attachments: 15
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SECURITY AGREEMENT

1. Security Interest. The undersigned, NIAGARA DISPENSING TECHNOLOGIES, INC., a Delaware corporation (the "Debtor") hereby grants to RAND CAPITAL SBIC, L.P., EMPIRE STATE DEVELOPMENT-SMALL BUSINESS TECHNOLOGY INVESTMENT FUND, BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION and the other Secured Parties identified as such on Exhibit A attached hereto (collectively, the "Secured Party"), a security interest ("Security Interest") in all property of the following types, wherever located and whether now owned or hereafter owned or acquired, in all Proceeds and Products thereof in any form, in all parts, accessories, attachments, special tools, additions and accessions thereto, in all increases or profits received therefrom, and in all substitutions therefor, and including, WITHOUT LIMITATION, all property described in any Schedule now or hereafter annexed hereto ("Collateral"): Equipment, Fixtures, Inventory, Accounts, Chattel Paper, Documents, Instruments, Investment Property and General Intangibles,. Notwithstanding the foregoing, Secured Party hereby and herein agrees to and does subordinate their Security Interest in the Collateral to any existing and/or future security interest granted by the Debtor to any banks, insurance companies, or other financial institutions regularly engaged in the business of lending money on, subject to the terms and conditions of that certain "Senior Debt Subordination Agreement," as such term is defined in that certain Subordinated Secured Promissory Note and Warrant Purchase Agreement by and among the Debtor and the Secured Party and dated the date hereof (the "Note Purchase Agreement").

2. Indebtedness Secured. The Security Interest granted by the Debtor secures payment of any and all indebtedness of the Debtor to the Secured Party and any and all obligations of the Debtor under the Note Purchase Agreement and the Notes and Warrants dated the date hereof issued thereunder, all as more fully described in the Note Purchase (the "Secured Agreements"), whether any such indebtedness or obligations are now existing or hereafter incurred, of every kind and character, direct or indirect, and whether any such indebtedness is from time to time reduced and thereafter increased, including, without limitation, any sums advanced by the Secured Party for taxes, assessments, insurance and other charges and expenses as hereinafter provided (collectively, "Indebtedness"). Upon Debtor's payment in full of the Indebtedness, the Security Interest granted to Secured Party herein shall immediately terminate, and Secured Party shall prepare and file any Uniform Commercial Code termination statement(s) within thirty (30) days after written request therefor to the Secured Party by the Debtor. All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings set forth in the Note Purchase Agreement.

3. Representations and Warranties of Debtor. The Debtor represents and warrants, and so long as any Indebtedness remains unpaid shall be deemed continuously to represent and warrant, that:

(a) the Debtor is the owner of the Collateral free of all security interests or other encumbrances, except liens securing indebtedness to banks or equipment or software financing entities incurred in the ordinary course of the Debtor's business ("Permitted Liens");

- (b) the Debtor is authorized to enter into this Security Agreement;
- (c) the Debtor is a corporation organized and existing under the laws of the State of Delaware and Debtor's exact legal name is as set forth in the first paragraph of this Security Agreement;
- (d) the Debtor is engaged in business operations; the Debtor's business addresses and chief executive office are specified on the Schedule hereto; and the Debtor's records concerning the Collateral are kept at one of the addresses specified on the Schedule;
- (e) each Account, General Intangible and Chattel Paper constituting Collateral is genuine and enforceable in accordance with its terms against the party obligated to pay it ("Account Debtor");
- (f) the amount represented by the Debtor to the Secured Party as owing by each Account Debtor or by all Account Debtors is the correct amount and to the best of Debtor's knowledge actually owing at the time such representation by such Account Debtor or the Debtors, except for normal cash discounts where applicable;
- (g) each Instrument and each Document constituting Collateral is genuine and in all respects what it purports to be; and
- (h) any Collateral which is a fixture will be affixed to real property at the Debtor's address opposite the signature of the Debtor or as shown on the Schedule hereto, and such real property is owned by the person or persons named in such Schedule.

4. Covenants of Debtor. So long as any Indebtedness remains unpaid, the Debtor:

- (a) Will defend the Collateral against the claims and demands of all other parties including, without limitation, defenses, set-offs, claims and counterclaims asserted by any Account Debtor against the Debtor and/or the Secured Party, except, as to Inventory, purchasers and lessees in the ordinary course of the Debtor's business; will keep the Collateral free from all security interests or other encumbrances, except the Security Interest and Permitted Liens; and will not sell, transfer, lease, assign, deliver or otherwise dispose of any Collateral or any interest therein without the prior written consent of the Secured Party, except, prior to the occurrence of an Event of Default, the Debtor may sell or lease Inventory in the ordinary course of the Debtor's business and the Debtor may dispose of obsolete equipment.
- (b) Will keep, in accordance with generally accepted accounting principles consistently applied, accurate and complete records concerning the Collateral; at the Secured Party's request, will mark any and all such records to indicate the Security Interest; and will permit the Secured Party or its agents, upon reasonable prior notice, to inspect the Collateral and to audit and make extracts from such records or any of the Debtor's books, ledgers, reports, correspondence or other records;

(c) Upon the occurrence of an Event of Default hereunder, and after the expiration of any applicable cure period without the alleged default being cured, will deliver to the Secured Party upon demand any Documents and any Chattel Paper constituting, representing or relating to the Collateral or any part thereof, any schedules, invoices, shipping documents, delivery receipts, purchase orders, contracts or other documents representing or relating to the Collateral or any part thereof;

(d) Will notify the Secured Party promptly in writing of any change in the Debtor's business addresses or chief executive office and of any change in the address at which records concerning the Collateral are kept; will preserve its existence as a corporation formed under the laws of the State of Delaware, and will not merge into or consolidate with any other entity or sell all or substantially all of its assets, will not change the state of its formation and will not change its name without providing Secured Party with 30 days prior written notice.

(e) Will not, without the Secured Party's written consent, make or agree to make, other than in the ordinary course of business, any alteration, modification or cancellation of, or substitution for, or credits, adjustments or allowances on Accounts, General Intangibles or Chattel Paper constituting any Collateral;

(f) Will keep the Collateral in good condition and repair, reasonable wear and tear excepted; and will not use the Collateral in violation of any provision of this Security Agreement, knowingly of any applicable statute, regulation or ordinance, or of any policy insuring the Collateral; and will permit the Secured Party or its agents to inspect the Collateral;

(g) Will pay all taxes, assessments and other charges of every nature which may be levied or assessed against the Collateral except such taxes being contested in good faith with appropriate reserves set aside therefor; will insure the Collateral against risks, and in coverage, form and amount reasonably satisfactory to the Secured Party, and, at the Secured Party's request, will deliver or cause to be delivered to the Secured Party each policy or certificate of insurance, naming the Secured Party as an additional insured or loss payee, as its interests may appear, and including stipulations that coverages will not be canceled or diminished without at least 30 days' prior written notice to the Secured Party and not including any disclaimer of the insurer's liability for failure to give such notice. Each insurance policy also shall include an endorsement providing that coverage in favor of the Secured Party will not be impaired in any way by any act, omission or default of Debtor or any other person;

(h) Will prevent the Collateral or any part thereof from being or becoming an accession to other goods not covered by this Security Agreement;

(i) Will prevent any Collateral which is not a fixture from being or becoming a fixture;

(j) In connection herewith, will execute and deliver to the Secured Party such financing statements, assignments and other documents, do such other things relating to the Security Interest as the Secured Party may reasonably request to protect its interest therein, pay all costs of title searches and filing financing statements, assignments and other documents in all public

offices requested by the Secured Party; but will not, without the prior written consent of the Secured Party, file or authorize or permit to be filed in any public office any financing statement naming the Debtor as debtor and not naming the Secured Party as secured party except to perfect Permitted Liens;

(k) Will have possession of the Collateral, except where expressly otherwise provided in this Security Agreement or where Secured Party chooses to perfect its security interest by possession in addition to the filing of a financing statement; where Collateral is in the possession of a third party, Debtor will join with Secured Party in notifying the third party of Secured Party's security interest and obtaining an acknowledgement from the third party that it is holding the Collateral for the benefit of Secured Party; and

(l) Will, if required by Secured Party, inscribe all tangible Chattel Paper with a legend acceptable to Secured Party indicating that Secured Party has a security interest in the Chattel Paper.

5. Verification of Collateral. Upon ten (10) days prior written notice to Debtor, the Secured Party shall have the right to verify all or any Collateral in any manner and through any medium the Secured Party may consider appropriate, and the Debtor agrees to furnish all assistance and information and perform any acts which the Secured Party may require in connection therewith.

6. Notification and Payments. After the occurrence of an Event of Default and after the expiration of any applicable cure period without the alleged default being cured, the Secured Party may notify all or any Account Debtors of the Security Interest and may also direct such Account Debtors to make all payments on Collateral to the Secured Party. All payments on and from Collateral received by the Secured Party directly or from the Debtor shall be applied to the Indebtedness in such order and manner and at such time as the Secured Party shall, in its sole discretion, determine. After the occurrence of an Event of Default and after the expiration of any applicable cure period without the alleged default being cured, the Secured Party shall notify the Debtor in writing, before notification to Account Debtors and without waiving in any manner the Security Interest, that any payments on and from the Collateral received by the Debtor: (i) shall be held by the Debtor in trust for the Secured Party in the same medium in which received; (ii) shall not be commingled with any assets of the Debtor; and (iii) shall be turned over to the Secured Party not later than the next business day following the day of their receipt.

7. Registered Holder of Collateral. Upon the occurrence of an Event of Default and after the expiration of any applicable cure period without the alleged default being cured, if any Collateral consists of Instruments which are investment securities, the Debtor authorizes the Secured Party to transfer the same or any part thereof into its own name or that of its nominee so that the Secured Party or its nominee may appear of record as the sole owner thereof. After the occurrence of any Event of Default and after the expiration of any applicable cure period without the alleged default being cured, the Debtor waives all rights to be advised of or to receive any notices, statements or communications received by the Secured Party or its nominee as such record owner and agrees that no proxy or proxies issued by the Secured Party to the Debtor or its designee as aforesaid shall thereafter be effective.

8. Income From and Interest on Collateral.

(a) Until the occurrence of an Event of Default and after the expiration of any applicable cure period without the alleged default being cured, the Debtor reserves the right to receive all income from or interest on the Collateral, and if the Secured Party receives any such income or interest prior to such Event of Default, the Secured Party shall pay the same promptly to the Debtor.

(b) In the event of the occurrence of an Event of Default, and after the expiration of any applicable cure period without the alleged default being cured, the Debtor will not demand or receive any income from or interest on the Collateral, and if the Debtor receives any such income or interest without any demand on it, the Debtor will pay the same promptly to the Secured Party. The Secured Party shall apply the net cash receipts from such income or interest to payment of any of the Indebtedness, provided that the Secured Party shall account for and pay over to the Debtor any such income or interest remaining after payment in full of the Indebtedness.

9. Increases, Profits, Payments or Distributions.

(a) After the occurrence of an Event of Default, and after the expiration of any applicable cure period without the alleged default being cured, the Debtor authorizes the Secured Party:

(i) to receive any increase in or profits on the Collateral and to hold the same as part of the Collateral; and

(ii) to receive any payment or distribution upon redemption, or upon dissolution and liquidation of the issuer, of any Collateral; to surrender such Collateral or any part thereof in exchange therefor; and to hold the net cash receipts from any such payment or distribution as part of the Collateral.

(b) If the Debtor receives any such increase, profits, payments or distributions, the Debtor will deliver the same promptly to the Secured Party to be held by the Secured Party as herein provided.

10. Events of Default.

(a) Any one or more of the following shall be an "Event of Default" under this Agreement:

(i) Any Event of Default under the Note Purchase Agreement.

(ii) The failure of the Debtor to observe and perform any of the terms, covenants and conditions of the Agreement, or the breach of any representation or warranty under this Agreement, within thirty (30) days after notice thereof by the Secured Party, or in the case of an Event of Default that can not be cured within thirty (30) days, the failure to commence and be diligently pursuing a cure, provided, however, that notice and cure periods applicable to Events of Default under the Note Purchase Agreement shall be as stated therein and shall not be modified or extended by this subsection.

(b) Except as otherwise provided in the Note Purchase Agreement, the Secured Party, at its sole election, may declare all or any part of any Indebtedness not payable on demand to be immediately due and payable without demand or notice of any kind upon the happening of any Event of Default, and after the expiration of any applicable cure period without the alleged default being cured. The provisions of this paragraph are not intended in any way to affect any rights of the Secured Party with respect to any Indebtedness which may now or hereafter be payable on demand.

(c) Upon the happening of any Event of Default, and after the expiration of any applicable cure period without the alleged default being cured, the Secured Party's rights and remedies with respect to the Collateral shall be those of a Secured Party under the Uniform Commercial Code and under any other applicable law, as the same may from time to time be in effect, in addition to those rights granted herein and in any other agreement now or hereafter in effect between the Debtor and the Secured Party. The Secured Party may require the Debtor to assemble the Collateral and make it available to the Secured Party at a place or places designated by the Secured Party.

(d) The Secured Party shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in the Secured Party's own name or that of the Debtor. The Secured Party may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Secured Party will give the Debtor reasonable notice of the time after which any private sale or any other intended disposition of the Collateral is to be made. The requirements of reasonable notice shall be met if such notice is given at least fifteen (15) days before the time of the sale or disposition. All reasonable expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral (including reasonable legal fees and costs), shall become a part of the Indebtedness secured by this Agreement and payable from the proceeds of the disposition of the Collateral, and shall be payable on demand, with interest at the default rates set forth in the Note Purchase Agreement from date of expenditure until repaid.

(e) The Debtor agrees to pay on demand all reasonable costs and expenses incurred by the Secured Party in enforcing this Security Agreement, in realizing upon or protecting any Collateral and in enforcing and collecting any Indebtedness or any guaranty thereof, including, without limitation, if the Secured Party retains counsel for advice, suit, insolvency proceedings or any of the above purposes, reasonable attorneys' fees incurred by the Secured Party.

11. Miscellaneous.

(a) The Debtor will file with the Delaware Secretary of State a financing statement on Form UCC-1 in favor of each Investor in the Closing Date, as such term is defined in the Note Purchase Agreement, and shall file such further financing statements with respect to any Secured Party that purchases a Note after the Closing Date on the date such Note is purchased, and hereby authorizes the Secured Party, at the Debtor's expense, to file such financing statement or statements relating to the Collateral as the Secured Party at its option may deem appropriate, and appoints the Secured Party as the Debtor's attorney-in-fact (without requiring the Secured Party) to perform all other acts which the Secured Party deems appropriate to perfect and continue the Security Interest and to protect and preserve the Collateral.

(b) After the occurrence of an Event of Default, and after the expiration of any applicable cure period without the alleged default being cured, the Secured Party may demand, collect and sue on any of the Accounts, Chattel Paper, Instruments and General Intangibles (in either the Debtor's or the Secured Party's name at the latter's option) with the right to enforce, compromise, settle or discharge such Collateral, and may endorse the Debtor's name on any and all checks, commercial paper, and any other Instruments pertaining to or constituting such Collateral.

(c) (i) As further security for payment of the Indebtedness, the Debtor hereby grants to the Secured Party a Security Interest in and lien on any and all property of the Debtor, which is or may hereafter be in the possession or control of the Secured Party in any capacity or of any third party acting on its behalf, including, without limitation, all moneys owed or to be owed by the Secured Party to the Debtor; and with respect to all of such property, the Secured Party shall have the same rights hereunder as it has with respect to the Collateral; and (ii) without limiting any other right of the Secured Party, whenever the Secured Party has the right to declare and does declare any Indebtedness to be immediately due and payable, the Secured Party at its sole election may set off against the Indebtedness any and all moneys then or thereafter owed to the Debtor by the Secured Party in any capacity, whether or not due, and the Secured Party shall be deemed to have exercised such right to set off immediately at the time of such election even though no charge therefor is made or entered on the Secured Party's records subsequent thereto.

(d) Upon the Debtor's failure to perform any of its duties hereunder, the Secured Party may, but shall not be obligated to, perform any or all such duties, and the Debtor shall pay an amount equal to the expense incurred by the Secured Party with respect thereto to the Secured Party forthwith upon written demand by the Secured Party.

(e) No course of dealing and no delay or omission by the Secured Party in exercising any right or remedy hereunder or with respect to any Indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. The Secured Party may remedy any default by the Debtor hereunder or with respect to any Indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by the Debtor. All rights and remedies of the Secured Party hereunder are cumulative.

(f) The Secured Party shall have no obligation to take, and the Debtor shall have the sole responsibility for taking, any and all steps to preserve rights against any and all prior parties to any Instrument or Chattel Paper constituting Collateral whether or not in the Secured Party's possession. The Secured Party shall not be responsible to the Debtor for loss or damage resulting from the Secured Party's failure to enforce or collect any Collateral or to collect any moneys due or to become due thereunder. The Debtor waives protest of any Instrument constituting Collateral at any time held by the Secured Party on which the Debtor is in any way liable and waives notice of any other action taken by the Secured Party.

(g) The rights and benefits of the Secured Party hereunder shall, if the Secured Party so agrees, inure to any party acquiring any interest in the Indebtedness or any part thereof.

(h) The Secured Party and the Debtor as used herein shall include the heirs, executors or administrators, or successors or assigns of those parties.

(i) If more than one (1) Debtor executes this Security Agreement, the term "Debtor" shall include each as well as all of them and their obligations, warranties and representations shall be joint and several. If more than one (1) Secured Party is identified in this Security Agreement, the term "Secured Party" shall include each as well as all of them and each of them shall have the right to enforce the obligations of the Debtor hereunder, either alone or together.

(j) No modification, rescission, waiver, release or amendment of any provision of this Security Agreement shall be binding except by a written agreement subscribed by the Debtor and by a duly authorized officer of each Secured Party.

(k) This Security Agreement shall be construed and interpreted in accordance with the laws of the State of New York. The Debtor agrees that any action or proceeding arising out of or relating to this Security Agreement may be commenced in the Supreme Court of the State of New York, Erie County, and the Debtor agrees that a summons and complaint commencing an action or proceeding in such court shall be properly served and shall confer personal jurisdiction if served personally, by registered or certified mail, or as otherwise provided under the laws of the State of New York. The Debtor hereby agrees to waive any and all rights to change the venue of any action or proceeding brought to determine any claim or controversy involving this Security Agreement.

(l) All terms, unless otherwise defined in this Security Agreement or in any financing statement, shall have the definitions set forth in the Uniform Commercial Code adopted in New York State, as the same may from time to time be in effect.

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(m) THE DEBTOR AND THE SECURED PARTY, BY ITS ACCEPTANCE OF THIS AGREEMENT, HEREBY WAIVE THEIR RIGHT TO A TRIAL BY JURY IN CONNECTION WITH ANY ACTION OR PROCEEDING BROUGHT TO DETERMINE ANY CLAIM OR CONTROVERSY INVOLVING THIS SECURITY AGREEMENT OR THE INDEBTEDNESS.

Dated: As of March 8, 2006

DEBTOR:

NIAGARA DISPENSING TECHNOLOGIES, INC.

By: _____

Kenneth E. Burke, CEO

Chief Executive Office:

199 Fire Tower Drive

Tonawanda, New York 14150

SECURED PARTIES:

RAND CAPITAL SBIC, L.P.

By: Rand Capital Management LLC

By: _____

Allen F. Grum, Manager

EMPIRE STATE DEVELOPMENT-SMALL
BUSINESS TECHNOLOGY INVESTMENT
FUND

By: _____

Name:

Title:

BUFFALO AND ERIE REGIONAL
DEVELOPMENT CORPORATION

By: _____

Name:

Title:

EXHIBIT A

SECURED PARTIES

Rand Capital SBIC, L.P.
2200 Rand Building
Buffalo, New York 14203

Empire State Development - Small Business Technology Investment Fund
420 Main Street, Suite 717
Buffalo, New York 14202

Buffalo and Erie County Regional Development Corporation
275 Oak Street
Buffalo, New York 14203

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Chittenango, NY 13037

Geraldine Fichte
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Youngstown, NY 14174

2400 Pine Avenue LLC
4202 Lower River Road
Youngstown, NY 14174

Charles Gelia
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Donald Hofmar
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Snyder, NY 14226

Brad Johnson & Elizabeth Boyd-Johnson
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Courtney Johnston
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Thomas Branchini
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John DiFiore
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James L. Magavern
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Samuel D. Magavern Trust #2
William J. Magavern, II, Trustee
James L. Magavern, Trustee
Isabel K. Smith, Trustee
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Jeffrey Meilman, MD Profit Sharing Plan
FBO Jeffrey Meilman
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Law Offices of Meilman & Costa PC, Profit Sharing Plan
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Elma, NY 14059

David M. Zebro
169 Halston Parkway
East Amherst, NY 14051

David Gelia
90 Bryant Woods South
Amherst, NY 14228

Michael D. Schiff, MD
5079 Forest Road
Lewiston, NY 14092

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SCHEDULE

1. Location at which the Debtor's business conducted and at which Collateral is located (§ 3d) is 199 Fire Tower Drive, Tonawanda, New York 14150, County of Erie.
2.
 - (a) Fixtures affixed to real property (§ 3h) located at 199 Fire Tower Drive, Tonawanda, New York 14150, County of Erie.
 - (b) Owner of such real property (§ 3h) is Oden Corporation.
3. Additional Collateral is as follows:
 - (a) U. S. Patent filed December 15, 2005 for "A DIGITAL FLOW CONTROL ASSEMBLY."
 - (b) U. S. Patent filed December 15, 2005 for "BEVERAGE DISPENSER."
 - (c) U.S. Provisional Application, Serial No. 60795823, filed April 28, 2006 for improvements in "METHOD AND APPARATUS FOR CONTROLLING THE QUANTITY OF FOAM OF FISPENSED BEVERAGES."
 - (d) U.S. Provisional Application, Serial No. 60795824, filed April 28, 2006 for improvements in "METHODS AND APPARATUS FOR INITIATING A BEVERAGE DISPENSING EVENT IN A BEVERAGE DISPENSER."
 - (e) U.S. Provisional Application, Serial No. 60795825, filed April 28, 2006 for improvements in "ADJUSTABLE DIGITAL FLOW CONTROL."

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ADDITIONAL SCHEDULE No. 1
TO SECURITY AGREEMENT DATED AS OF MARCH 8, 2006

Additional Collateral

The following patent applications and any and all United States and foreign patents, utility models, and/or design registrations claiming priority to or containing said inventions or improvements thereto:

1. Systems and Methods for Beverage Dispensing employing a multi-nodal volumetric flow rate controller and subsurface dispensing nozzle. US Patent Application Serial No. 11/611,834, filed December 15, 2006. Corresponding International Application, Serial No. PCT/US2006/062202.
2. Systems and Methods for Beverage Dispensing employing a multi-nodal volumetric flow rate controller and subsurface dispensing nozzle. US Patent Application Serial No. 11/611,835, filed December 15, 2006. Corresponding International Application, Serial No. PCT/US2006/062203.
3. Systems and Methods employing a "choker" volumetric flow restrictor or limiter. US Patent Application Serial No. 11/611,713, filed December 15, 2006. Corresponding International Application, Serial No. PCT/US2006/062186.
4. Systems and Methods employing a digital flow controller. US Patent Application Serial No. 11/611,837, filed December 15, 2006. Corresponding International Application, Serial No. PCT/US2006/062198.
5. Systems and Methods for Beverage Dispensing employing a multi-nodal volumetric flow rate controller, subsurface dispensing nozzle, and beverage cooler. US Patent Application Serial No. 11/711,139, filed February 27, 2007.
6. Systems and Methods employing a beverage cooler including multiple flow circuits. US Patent Application Serial No. 11/711,163, filed February 27, 2007.
7. Beverage Dispensing systems and methods employing reciprocal ball plug and dual head, dual flow rate controllers. US Patent Application Serial No. 11/742,118, filed April 30, 2007.

The following trademark applications and any registrations that issue from such applications:

1. EXACTAP, U.S. Trademark Application Serial No. 78700105, filed August 25, 2005.
2. EXACTPOUR, U.S. Trademark Application Serial No. 78764551, filed December 1, 2005.
3. A PERFECT POUR EVERYTIME, U.S. Trademark Application Serial No. 78764717, filed December 1, 2005.
4. DRAFTBLASTER, U.S. Trademark Application Serial No. 77018622, filed October 11, 2006.
5. KEGWIZARD, U.S. Trademark Application Serial No. 77136523, filed March 21, 2007.

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