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

Tab settings

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party (ies): SeQual Technologies Inc. 11436 Sorrento Valley Road San Diego, California 92121

2. Name and address of receiving party (ies) Name: EndPoint Late-Stage Fund, L.P. Internal Address: Street Address: 400 Madison Ave., Suite 7C City: New York State: NY Zip: 10017

3. Nature of conveyance: [X] Other Intellectual Property Security Agreement Execution Date: February 28, 2003

4. Application number(s) or registration number(s): A. Trademark Application No.(s) B. Trademark No.(s) 2,494,816 2,036,142 1,896,893

6. Total number of applications and trademarks involved: 3 7. Total fee (37 CFR 3.41) \$ 90.00 [X] Enclosed [] Authorized to be charged to deposit account

5. Name and address of party to whom correspondence concerning document should be mailed: Name: Diana Sanchez Bentz Internal Address: Cooley Godward LLP 5 Palo Alto Square Street Address: 3000 El Camino Real City: Palo Alto State: CA Zip: 94306

8. Deposit account number: 03-3115 (Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature. To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document. Diana Sanchez Bentz Signature April 1, 2003 Date

04/02/2003 DBYRNE 00000150 2494816 number of pages including cover sheet, attachments, and documents: 10

01 FC:8521 02 FC:8522 40.00 OP 50.00 OP Mail documents to be recorded with required cover sheet information to: Commissioner of Patents & Trademarks, Box Assignments Washington, D.C. 20231

397377

TRADEMARK REEL: 002704 FRAME: 0226

INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT is entered into as of February 28, 2003 by and between ENDPOINT LATE-STAGE FUND, L.P. (the "*Lender*") and SEQUAL TECHNOLOGIES INC., a California corporation ("*Grantor*").

RECITALS

A. Lender has agreed to make certain advances of money and to extend certain financial accommodation to Grantor (collectively, the "*Loans*") as evidenced by that certain Subordinated Secured Promissory Notes of even date herewith executed by Grantor in favor of Lender and such other promissory notes as may be executed by Grantor in favor of Lender after the date hereof (each, a "*Note*" and, collectively, the "*Notes*"). The Capitalized terms used but not otherwise defined herein are used as defined in the Notes.

B. Lender is willing to extend and to continue to extend financial accommodations to Grantor, but only upon the condition, among others, that Grantor shall grant to Lender, a security interest in all of Grantor's right, title and interest, whether presently existing or hereafter acquired, in, to and under all of the Intellectual Property Collateral (as defined below) to secure the obligations of Grantor under the Notes and the other agreements, instruments and documents delivered in connection therewith (collectively, the "*Note Documents*").

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and intending to be legally bound, as collateral security for the prompt and complete payment when due of its obligations under the Note Documents, Grantor hereby represents, warrants, covenants and agrees as follows:

AGREEMENT

1. Definitions.

1.1 "*Copyrights*" means any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held.

1.2 "*Intellectual Property Collateral*" means all of Grantor's right, title, and interest in and to the following:

- (a) Copyrights, Trademarks and Patents;
- (b) Any and all trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;
- (c) Any and all design rights which may be available to Grantor now or hereafter existing, created, acquired or held;

(d) Any and all claims for damages by way of past, present and future infringement 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 the intellectual property rights identified above;

(e) All licenses or other rights to use any of the Copyrights, Patents or Trademarks, and all license fees and royalties arising from such use to the extent permitted by such license or rights;

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

(g) 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.

1.3 "**Patents**" means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

1.4 "**Trademarks**" means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Grantor connected with and symbolized by such trademarks.

2. Grant of Security Interest.

2.1 To secure its obligations under the Note Documents, Grantor grants and pledges to Lender a security interest in all of Grantor's right, title and interest in, to and under its Intellectual Property Collateral (including without limitation those Copyrights, Patents and Trademarks listed on *Exhibits A, B and C* hereto), and including without limitation all proceeds thereof (such as, by way of example but not by way of limitation, license royalties and proceeds of infringement suits), the right to sue for past, present and future infringements, all rights corresponding thereto throughout the world and all re-issues, divisions continuations, renewals, extensions and continuations-in-part thereof.

3. Events of Default.

3.1 Each "**Event of Default**" under the Note Documents shall be an Event of Default hereunder, and are hereby incorporated herein by reference.

4. Rights and Remedies.

4.1 The rights and remedies of Lender with respect to the security interest granted hereby are in addition to those set forth in the Note Documents, and those which are now or hereafter available to Lender as a matter of law or equity. Each right, power and remedy of Lender provided for herein or in any of the Note Documents, or now or hereafter existing at law or in equity shall be cumulative and concurrent and shall be in addition to every right, power or remedy provided for herein and the exercise by Lender of any one or more of the rights, powers or remedies provided for in this Intellectual Property Security Agreement or any of the other

Note Documents, or now or hereafter existing at law or in equity, shall not preclude the simultaneous or later exercise by any person, including Lender, of any or all other rights, powers or remedies.

5. Representations and Warranties.

5.1 Grantor represents and warrants that *Exhibits A, B, and C* attached hereto set forth any and all intellectual property rights in connection to which Grantor has registered or filed an application with either the United States Patent and Trademark Office or the United States Copyright Office, as applicable.

5.2 Except for licenses granted by Grantor to its customers in the ordinary course of business as set forth in the *Schedule I* attached hereto, Grantor is the sole owner of the Intellectual Property Collateral. Each of the Copyrights, Trademarks and Patents is valid and enforceable, and no part of the Intellectual Property Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Intellectual Property Collateral violates the rights of any third party except to the extent such claim could not reasonably be expected to cause (i) a material adverse change to Grantor's business, (ii) a material impairment of the prospect of repayment of any portion of the obligations owing under the Note Documents, or (iii) a material impairment of the value or priority of Lender's security interest in the Collateral (as defined in the Note Documents).

6. Covenants.

6.1 Grantor shall execute and deliver such additional instruments and documents from time to time as Lender shall reasonably request to perfect Lender's security interest in the Intellectual Property Collateral.

6.2 Grantor shall (i) protect, defend and maintain the validity and enforceability of the Trademarks, Patents and Copyrights, (ii) use its best efforts to detect infringements of the Trademarks, Patents and Copyrights and promptly advise Lender in writing of material infringements detected and (iii) not allow any material Trademarks, Patents or Copyrights to be abandoned, forfeited or dedicated to the public without the written consent of Lender, which shall not be unreasonably withheld.

6.3 Lender may audit Grantor's Intellectual Property Collateral to confirm compliance with this Section 6. Lender shall have the right, but not the obligation, to take, at Grantor's sole expense, any actions that Grantor is required under this Section 6 to take but which Grantor fails to take, after 15 days' notice to Grantor. Grantor shall reimburse and indemnify Lender for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this Section 6.

6.4 Grantor shall not permit the inclusion in any contract to which it becomes a party of any provisions that could restrict or invalidate the creation of a security interest in Grantor's rights and interests in any Intellectual Property Collateral.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have caused this Intellectual Property Security Agreement to be duly executed by its officers thereunto duly authorized as of the first date written above.

GRANTOR:

Address of Grantor:

11436 Sorrento Valley Road
San Diego CA 92121

SEQUAL TECHNOLOGIES INC.

By:

J. A. Reig

Title:

CEO

LENDER:

Address of Lender:

400 Madison Avenue, Suite 7C,
New York, NY 10017

ENDPOINT LATE-STAGE FUND, L.P.

By:

J. M. Lowman

Title:

General Partner

SCHEDULE I

LIST OF ORDINARY COURSE LICENSES

List of Ordinary Course Licenses

TEIJIN LTD.

SeQual has executed numerous agreements whereby Teijin was granted a license to SeQual technology and patents for their exclusive use in the field of home oxygen therapy in the territory of Japan. SeQual has assigned to Teijin all rights to SeQual patents issued in Japan, but SeQual retains a license to use these patents in fields of use outside of the home oxygen therapy market.

INTERTECHNIQUE

SeQual has awarded Intertechnique an exclusive license to SeQual technology and patents in the field of gas separation using oxygen and nitrogen for aviation applications.

GENERAL MOTORS

SeQual has awarded a license to General Motors the use of SeQual background technology (not background patents) disclosed to General Motors during the course of a joint development program (between October 2002 and February 2003). If General Motors desires the right to use SeQual background patents (SeQual patents existing at the time of the joint development program) in fuel cell applications and certain other non-medical applications, it can request a license to do so. Both parties are then required to negotiate in good faith the terms of such license agreement. If the parties are unable to agree on a reasonable royalty rate, they are required to enter specified dispute resolution activities to determine such royalty rate.

EXHIBIT A
COPYRIGHTS

Description	Registration Number	Registration Date
None		

EXHIBIT B

PATENTS

ISSUED US PATENTS

<u>Description</u>	<u>Registration Number</u>	<u>Application Date</u>	<u>Issue Date</u>
Fluid Flow Switching Valve Assembly and System	4,925,464	11/17/88	5/15/90
Oxygen Concentrator System and Valve Structure	5,114,441	11/2/90	5/19/92
Fluid Fractionator	5,112,367	2/25/91	5/12/92
Fluid Fractionator	Re. 35,099	10/1/93	11/28/95
Fluid Fractionator	5,268,021	2/28/92	12/7/93
Fluid Fractionator	5,366,541	10/25/93	11/22/94
Improved Fluid Fractionator	5,593,478	9/28/94	1/14/97
Improved Fluid Fractionator	5,730,778	10/21/96	3/24/98
Methods and Apparatus to Generate Liquid Ambulatory Oxygen from an Oxygen Concentrator	5,979,440	6/16/97	11/9/99
Rotary Valve Assembly for Pressure Swing Adsorption System	6,311,719	8/10/99	11/6/01
Rotary Valve Assembly for Pressure Swing Absorption System	6,457,485	8/8/01	10/1/02
Vacuum-Pressure Swing Adsorption Fluid Fractionator and Method of Using the Same	6,471,744	8/16/01	10/29/02

PENDING U.S. PATENTS

<u>Title</u>	<u>Application Number</u>	<u>Application Date</u>
Methods and Apparatus to Generate Liquid Ambulatory Oxygen from an Oxygen Concentrator	09/342,890	6/29/99
Methods and Apparatus to Generate Liquid Ambulatory Oxygen from an Oxygen Concentrator	09/343,149	6/29/99
Methods and Apparatus to Generate Liquid Ambulatory Oxygen from an Oxygen Concentrator	09/420,892	10/19/99
Portable Oxygen Concentration System and Method of Using the Same	09/632,099	8/3/00
Portable Oxygen Concentration System and Method of Using the Same	10/105,657	3/25/02
Portable Oxygen Concentration System and Method of Using the Same	10/134,868	4/29/02

ISSUED EUROPEAN PATENT OFFICE ("EPO") PATENTS

<u>Title</u>	<u>EPO Patent No.</u>	<u>Application Date</u>	<u>Registration Date</u>
Fluid Fractionator	EP 0627953 B1 WO 93/16786	2/28/92	12/16/98

<u>Title</u>	<u>EPO Patent No.</u>	<u>Application Date</u>	<u>Registration Date</u>
	PCT/US92/01510 (EPO Application No. 92907872.3		
Ambulatory Oxygen Concentrator Liquefaction System	EP 0990107 B1 WO 98/58219 PCT/US98/11154	US filing 6/16/97 PCT filing 6/03/98	(published) 12/23/98 (issued) 4/04/01

PENDING EPO PATENTS

<u>Title</u>	<u>EPO Application No.</u>	<u>Application Date</u>
Improved Fluid Fractionator	EP 0954367 A1 PCT/US96/20392WO 98/28061 (EPO Application No. 96945242.4)	12/20/96
Portable Oxygen Concentration System	PCT/US00/21400	8/04/00

PENDING REST OF WORLD ("ROW") PATENTS

<u>Title</u>	<u>Application No.</u>	<u>Filing Date</u>
Improved Fluid Fractionator	2,275,685 (Canada)	12/20/96
Liquid Ambulatory Oxygen from an Oxygen Concentrator	2,293,287 (Canada)	6/03/98
Liquid Ambulatory Oxygen from an Oxygen Concentrator	504454/1999	6/03/98

ISSUED REST OF WORLD ("ROW") PATENTS

<u>Title</u>	<u>Application No.</u>	<u>Filing Date</u>	<u>Issue Date</u>
Fluid Fractionator	2,130,824 (Canada)	2/28/92	7/18/00

ISSUED BOC PATENTS (GRANTOR HAS LICENSE TO USE THESE PATENTS)

<u>Title</u>	<u>U.S. Patent No.</u>	<u>Filing Date</u>	<u>Issue Date</u>
Process and Apparatus for Gas Separation	5,807,423	9/27/96	9/15/98
Process and Apparatus for Gas Separation	5,814,130	9/27/96	9/29/98
Process and Apparatus for Gas Separation	5,814,131	9/27/96	9/29/98
Process and Apparatus for Gas Separation	5,820,656	1/21/97	10/13/98
Process and Apparatus for Gas Separation	5,891,217	1/21/97	4/6/99

EXHIBIT C
TRADEMARKS

Description	Registration/ Application Number	Registration/ Application Date
SeQual	2036142	2/4/97
ATF	1896893	5/3/95
Integra	2494816	10/2/01