


Form PTO-1595 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005) Tab settings $\Rightarrow \Rightarrow \Rightarrow$ $\nabla$ $\nabla$ $\nabla$ $\nabla$ $\nabla$ $\nabla$	<b>RECORDATION FORM COVER SHEET</b> <b>PATENTS ONLY</b>	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): <u>NOVA CRUZ PRODUCTS, INC</u>  Additional name(s) of conveying party(ies) attached? <input type="checkbox"/> Yes <input type="checkbox"/> No	2. Name and address of receiving party(ies) Name: <u>SUSTAINABLE ENERGY FUND OF</u> <u>CENTRAL EASTERN PA</u> Internal Address: _____  Street Address: <u>THE SOVEREIGN BLDG.,</u> <u>609 HAMILTON ST.</u>  City: <u>ALLENTOWN</u> State: <u>PA</u> Zip: <u>18101</u>  Additional name(s) & address(es) attached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
3. Nature of conveyance: <input type="checkbox"/> Assignment <input type="checkbox"/> Merger <input checked="" type="checkbox"/> Security Agreement <input type="checkbox"/> Change of Name <input type="checkbox"/> Other _____  Execution Date: <u>MARCH 1, 2002</u>	4. Application number(s) or patent number(s): <u>6,443,470</u> If this document is being filed together with a new application, the execution date of the application is: _____ A. Patent Application No.(s) _____ B. Patent No.(s) _____  Additional numbers attached? <input type="checkbox"/> Yes <input type="checkbox"/> No	
5. Name and address of party to whom correspondence concerning document should be mailed: Name: <u>JOSEPH E. KLUGER, ESQ.</u> Internal Address: _____  Street Address: <u>600 THIRD AVENUE</u>  City: <u>KINGSTON</u> State: <u>PA</u> Zip: <u>18704</u>	6. Total number of applications and patents involved: <u>1</u>  7. Total fee (37 CFR 3.41).....\$ <u><del>40.00</del> 40.00</u> <input checked="" type="checkbox"/> Enclosed SEE CREDIT CARD PAYMENT FORM <input type="checkbox"/> Authorized to be charged to deposit account  8. Deposit account number: _____  (Attach duplicate copy of this page if paying by deposit account)	
<b>DO NOT USE THIS SPACE</b>		
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. <div style="display: flex; justify-content: space-between; align-items: flex-end; margin-top: 20px;"> <div style="text-align: center;"> <u>JOSEPH E. KLUGER</u>              Name of Person Signing           </div> <div style="text-align: center;">               Signature           </div> <div style="text-align: center;"> <u>JUNE 30, 2003</u>              Date           </div> </div> <div style="text-align: right; margin-top: 10px;">             Total number of pages including cover sheet, attachments, and documents: <u>8</u> </div>		

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

OP \$40.00 6443470

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this "Agreement") is made as of this 1<sup>st</sup> day of March, 2002, by and between NOVA CRUZ PRODUCTS, INC., a Delaware corporation having an address of 34 Sheep Road, Lee, New Hampshire 03824 (hereinafter referred to as the "Grantor"), and SUSTAINABLE ENERGY FUND OF CENTRAL EASTERN PA, having an address of The Sovereign Building, 609 Hamilton Street, Allentown, Pennsylvania 18101 (hereinafter referred to as the "Secured Party").

WHEREAS, as of the date hereof, the Grantor is indebted to the Secured Party pursuant to the terms of the Promissory Note dated of even date herewith in the original principal amount of \$325,000 (the "Note"); and

WHEREAS, as partial consideration for the Secured Party lending money to the Grantor, the Grantor agreed to grant to the Secured Party a security interest in all of the Grantor's assets (which security interest shall be perfected in respect of all assets of Grantor in respect of which a security interest may be perfected by the filing of appropriate financing statements pursuant to the Uniform Commercial Code);

WHEREAS, the parties do hereby establish the terms of the grant of the Security Interest as more fully set forth herein;

NOW, THEREFORE, for and in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto to hereby agree as follows:

1. Certain Definitions. (a) "Collateral" means all personal property of the Grantor, including the following, all whether now owned or hereafter acquired or arising and wherever located: (i) accounts, accounts receivable, contract rights, chattel paper, notes receivable, securities entitlements, securities accounts, investment property, instruments and documents (including warehouse receipts); (ii) goods of every nature, including inventory, stock-in-trade, raw materials, work in process, items held for sale or lease or furnished or to be furnished under contracts of sale or lease, goods that are returned, reclaimed or repossessed, together with materials used or consumed in the Grantor's business; (iii) equipment, including machinery, vehicles, furniture and fixtures; (iv) general intangibles, of every kind and description, including all existing and future customer lists, choses in action, claims (including claims for indemnification or breach of warranty), books, records, patents and patent applications, copyrights, trademarks, trade names, tradenames, trademark applications, goodwill, blueprints, drawings, designs and plans, trade secrets, contracts, licenses, license agreements, formulae, tax and any other types of refunds, returned and unearned insurance premiums, rights and claims under insurance policies, and computer information, software, source codes, object codes, records and data; (v) all property of the Grantor now or hereafter in the Secured Party's possession or in transit to or from, under the custody or control of or on deposit with, the Secured Party or any affiliate thereof, including deposit and other accounts; (vi) all cash and cash equivalents; and (vii) all cash and non-cash proceeds (including insurance proceeds) of all of the foregoing property, all products thereof and all additions and accessions thereto, substitutions therefor and replacements thereof. (b) "Loan Documents" means this Agreement, the Note, the Loan Agreement entered into between the Grantor and the Secured Party dated of even date herewith, and all other related documents, instruments and agreements, as the same may be amended from time to time. (c) "Obligations" means those obligations evidenced under any one

or more of the Loan Documents, and any amendments, extensions, renewals or increases, and all costs and expenses of the Secured Party incurred in the documentation, negotiation, modification, enforcement, collection or otherwise in connection with any of the foregoing, including reasonable attorney's fees and expenses. (d) "Permitted Liens" means, whether now existing or hereafter created or arising, (i) the lien and security interest granted in this Agreement, (ii) liens or encumbrances for fees, taxes, levies, imposts, duties or other governmental charges of any kind which are not yet delinquent or which are being contested in good faith by appropriate proceedings, provided that the Grantor has made reserves sufficient to discharge such lien on its books, (iii) liens or encumbrances to secure payment of worker's compensation, employment insurance, old age pensions or other social security obligations of the Grantor in the ordinary course of business of the Grantor; (iv) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar liens or encumbrances arising in the ordinary course of business which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings, (vi) liens arising or created in connection with the existing angel investments by 5 individuals made in December 2001 and January 2002, between the Grantor (as successor to Nova Cruz Products, LLC) and Morton E. Goulder, George Schwenk, James K. Nicholas, James Kendall and Matthew K. Haggerty, respectively, and (vii) liens or encumbrances in favor of or for the benefit of Senior Indebtedness (as defined in Section 5 of the Note). (e) "UCC" means the Uniform Commercial Code, as adopted and enacted and as in effect from time to time in the Commonwealth of Pennsylvania. Terms used herein which are defined in the UCC and not otherwise defined herein shall have the respective meanings ascribed to such terms in the UCC.

2. Security Interest. To secure the Obligations, the Grantor, as debtor, hereby assigns and grants to the Secured Party, as secured party, a continuing lien on and security interest in the Collateral.

3. Notices of Certain Changes. The Grantor hereby agrees that if the Grantor changes its name or form or jurisdiction of organization, the Grantor will immediately notify the Secured Party in writing of the changes.

4. Representations and Warranties. The Grantor represents and warrants and covenants to the Secured Party that: (a) the Grantor has good, marketable and indefeasible title to the Collateral free and clear of any pledge, encumbrance or other lien of any kind except (i) the lien in favor of the Secured Party created by this Agreement and (ii) any Permitted Liens; (b) except as herein provided, the Grantor will not hereafter without the Secured Party's prior written consent (which shall not be unreasonably withheld) sell, pledge, encumber, assign or otherwise dispose of any of the Collateral or permit any right of lien or security interest to exist thereon except for (i) sales and transfers to the Secured Party, (ii) sales and transfers in the ordinary course of business or not exceeding \$100,000 in the aggregate in any calendar year, and (iii) the granting or incurrence of any Permitted Lien; (c) the Grantor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein other than any claims or encumbrances arising from Permitted Liens; (d) the Grantor's form of organization is a for-profit corporation and the Grantor's jurisdiction of organization is Delaware; (e) the address for books and records of the Grantor is 34 Sheep Road, Lee, New Hampshire 03824; (f) the addresses of other Collateral locations are \_\_\_\_\_ and \_\_\_\_\_; and (g) there are no other names or trade names now or formerly used by the Grantor, except that the name "Nova Cruz Products Inc." resulted from a reorganization of Nova Cruz Products, LLC, the Grantor's predecessor.

5. Covenants. The Grantor covenants that it shall: (a) from time to time and at all reasonable times allow the Secured Party, by or through any of its officers, agents, attorneys, or accountants, to examine or inspect the Collateral, notify account debtors of the Secured Party's security interest in accounts (if included in the definition of Collateral), wherever located. The

Grantor shall do, obtain, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as the Secured Party may reasonably require to vest in and assure to the Secured Party its rights hereunder and in or to the Collateral and the proceeds thereof, and shall cooperate with the Secured Party and use its commercially reasonable efforts to obtain customary waivers and agreements from landlords, warehousemen and mortgagees; (b) keep the Collateral, taken as a whole, in good order and repair at all times and immediately notify the Secured Party of any event causing a material loss in value of the Collateral, whether or not covered by insurance, and the estimated amount of such loss; (c) only use or permit the Collateral to be used in accordance with all applicable federal, state, county and municipal laws and regulations in all material respects; and (d) have and maintain insurance at all times with respect to all Collateral against risks of fire (including so-called extended coverage), theft, sprinkler leakage, and other risks (including risk of flood if any Collateral is maintained at a location in a flood hazard zone) as the Secured Party may reasonably require in writing, in such form, in such amount, for such period as may be reasonably satisfactory to the Secured Party. Each such casualty insurance policy shall contain a standard Lender's Loss Payable Clause issued in favor of the Secured Party under which all losses thereunder shall be paid to the Secured Party as the Secured Party's interest may appear. Such policies shall expressly provide, upon the Secured Party's written election, that the requisite insurance cannot be altered or canceled without at least thirty (30) days prior written notice to the Secured Party and shall insure the Secured Party notwithstanding the act or neglect of the Grantor (to the extent such insurance is available at commercially reasonable rates). Upon the Secured Party's written demand, the Grantor shall furnish the Secured Party with duplicate original policies of insurance or such other evidence of insurance as the Secured Party may require. In the event of failure to provide insurance as herein provided, the Secured Party may, at its option, obtain such insurance and the Grantor shall pay to the Secured Party, on written demand, the cost thereof. Proceeds of insurance may be applied by the Secured Party to reduce the Obligations or to repair or replace Collateral, all in the Secured Party's sole discretion.

6. No Transfer. The Grantor will not sell or offer to sell or otherwise transfer or grant or allow the imposition of a lien or security interest upon the Collateral or use any portion thereof in any manner inconsistent with this Agreement or with the terms and conditions of any policy of insurance thereon without the Secured Party's prior written consent (which shall not be unreasonably withheld), except for (i) sales and transfers to the Secured Party, (ii) sales and transfers in the ordinary course of business or not exceeding \$100,000 in the aggregate in any calendar year, and (iii) the granting or incurrence of any Permitted Lien.

7. Covenants for Accounts. (a) The Grantor will, on the Secured Party's written demand, make notations on its books and records showing the Secured Party's security interest therein. (b) At any time after the acceleration of the principal amount of the Loan pursuant to Section 4 of the Note, and without notice to the Grantor, the Secured Party may direct any persons who are indebted to the Grantor on any Collateral consisting of accounts or general intangibles to make payment directly to the Secured Party of the amounts due. The Secured Party is authorized to give receipts to such account debtors for any such payments and the account debtors will be protected in making such payments to the Secured Party.

8. Further Assurances. At the Secured Party's request, the Grantor will join with the Secured Party in executing one or more financing, continuation or amendment statements pursuant to the UCC in form satisfactory to the Secured Party and will pay the cost of preparing and filing the same in all jurisdictions in which such filing is reasonably deemed by the Secured Party to be necessary in order to perfect, preserve and protect its security interests. The Grantor authorizes the Secured Party to file financing, continuation or amendment statements pursuant to the UCC with respect to all or any part of the Collateral without the Grantor's signature, where permitted by law. A carbon, photographic or other copy of this Agreement or of a UCC financing statement may be filed as and in lieu of a UCC financing statement.

9. Events of Default. The Grantor shall, at the Secured Party's option, be in default under this Agreement upon the happening of and during the continuance of any Event of Default (as defined in the Note).

10. Remedies. Upon the occurrence and during the continuance of any such Event of Default, the Secured Party shall have, in addition to any remedies provided herein or by any applicable law or in equity, all the remedies of a secured party under the UCC. The Secured Party's remedies include, but are not limited to, the right to (a) peaceably by its own means or with judicial assistance enter the Grantor's premises and take possession of the Collateral without prior notice to the Grantor or the opportunity for a hearing, (b) render the Collateral unusable, (c) dispose of the Collateral on the Grantor's premises, (d) require the Grantor to assemble the Collateral and make it available to the Secured Party at a place designated by the Secured Party, and (e) notify the United States Postal Service to send the Grantor's mail to the Secured Party. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Secured Party will give the Grantor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of commercially reasonable notice shall be met if such notice is sent to the Grantor at least five (5) business days before the time of the intended sale or disposition. Expenses of retaking, holding, preparing for sale, selling or the like shall include the Secured Party's reasonable attorney's fees and legal expenses, incurred or expended by the Secured Party to enforce any payment due it under this Agreement either as against the Grantor, or in the prosecution or defense of any action, or concerning any matter growing out of or connection with the subject matter of this Agreement and the Collateral pledged hereunder. To the extent permitted by applicable law, the Grantor waives all relief from all appraisal or exemption laws now in force or hereafter enacted.

11. Power of Attorney. The Grantor does hereby make, constitute and appoint any officer or agent of the Secured Party as the Grantor's true and lawful attorney-in-fact, with power to, (a) upon the occurrence and during the continuance of any Event of Default, (i) endorse the name of the Grantor or any of the Grantor's officers or agents upon any notes, checks, drafts, money orders, or other instruments of payment or Collateral that may come into the Secured Party's possession in full or part payment of any Obligations and (ii) sue for, compromise, settle and release all claims and disputes with respect to, the Collateral; and (b) sign, for the Grantor, financing, continuation or amendment statements pursuant to the UCC; granting to the Grantor's said attorney full power to do any and all things necessary to be done in and about the premises as fully and effectually as the Grantor might or could do. The Grantor hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest, and is irrevocable.

12. Payment of Expenses. At its option, the Secured Party may discharge taxes, liens, security interests or such other encumbrances as may attach to the Collateral, may pay for required insurance on the Collateral and may pay for the maintenance and preservation of the Collateral, as determined by the Secured Party to be reasonably necessary. The Grantor will reimburse the Secured Party on written demand for any payment so made or any expense incurred by the Secured Party pursuant to the foregoing authorization, and the Collateral also will secure any advances or payments so made or expenses so incurred by the Secured Party.

13. Changes in Writing. No modification, amendment or waiver of any provision of this Agreement nor consent to any departure by the Grantor therefrom will be effective unless made in a writing signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Grantor in any case will entitle the Grantor to any other or further notice or demand in the same, similar or other circumstance.

14. Entire Agreement. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

15. **Notices.** All notices, demands, requests, consents, approvals and other communications required or permitted hereunder must be in writing and will be effective upon receipt. Such notices and other communications may be hand delivered, sent by facsimile transmission with confirmation of delivery and a copy sent by first-class mail, or sent by nationally recognized overnight courier service, to a party's address set forth above or to such other address as any party may give to the other in writing for such purpose.

16. **Preservation of Rights.** No delay or omission on the Secured Party's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Secured Party's action or inaction impair any such right or power. The Secured Party's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Secured Party may have under other agreements, at law or in equity.

17. **Illegality.** In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

18. **Governing Law and Jurisdiction.** This Agreement shall be governed by and construed under the laws of the Commonwealth of Pennsylvania, except that the laws of any state where any Collateral is located (if different from the Commonwealth of Pennsylvania) shall govern the creation, perfection and foreclosure of the liens created hereunder on such property or any interest therein. The Grantor hereby irrevocably consents to the non-exclusive jurisdiction of any state or federal court in which either the Grantor and/or the Secured Party is located or where any of the Collateral is located.

19. **Waiver of Jury Trial.** The Grantor irrevocably waives any and all right it may have to a trial by jury in any action, proceeding or claim of any nature relating to this agreement, any documents executed in connection with this agreement or any transaction contemplated in any of such documents. The Grantor and the Secured Party acknowledge that the foregoing waiver is knowing and voluntary.

20. **Counterparts.** This Agreement may be signed in any number of counterpart copies and by the parties hereto on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart. Any party so executing this Agreement by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

21. **Successors and Assigns.** This Agreement will be binding upon and inure to the benefit of the Grantor and the Secured Party and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Grantor may not assign this Agreement in whole or in part without the Secured Party's prior written consent (which shall not be unreasonably withheld) and the Secured Party at any time may assign this Agreement in whole or in part.

22. **Subordination.** Anything herein to the contrary notwithstanding, the lien and security interest granted herein to the Secured Party and the other rights and remedies of the Secured Party hereunder are expressly subject and junior to and subordinated to any liens, security interests, mortgages, pledges or other encumbrances of or on any assets of the Grantor and the other rights and remedies of any holder of any holder of Senior Indebtedness (as defined in Section 5 of the Note) as and to the extent provided in Section 5 of the Note, regardless of the record priority or dates of any public filings or documents pertaining to thereto. The Secured Party and any holder of the Note or any of the other Loan Documents shall execute, acknowledge, deliver and file from time to time, upon request therefor by the Grantor or any

holder of Senior Indebtedness such further documents and instruments (including but not limited to filings under the Uniform Commercial Code subordinating any security interests or other encumbrances hereunder to any security interests or other encumbrances of or on any assets of the Grantor in favor of or for the benefit of such holder of Senior Indebtedness, whether now existing or hereafter created or arising) and shall take such other actions as the Grantor or such holder of Senior Indebtedness may at any time reasonably request in order to carry out or confirm the provisions and intent of this Section.

*Remainder of Page Intentionally Left Blank*

IN WITNESS WHEREOF, the Grantor has executed this document and granted a security interest in the Collateral to the Secured Party the day and year first above written.

NOVA CRUZ PRODUCTS, INC.

BY:   
Scott Pearson, President

ACCEPTED BY:

SUSTAINABLE ENERGY FUND OF CENTRAL  
EASTERN PA

BY:   
THOMAS TUFFEY, Executive Director