

12-07-2005



103132504

To the Director of the U.S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

**1. Name of conveying party(ies)**  
Microseptic, Inc., a Nevada Corporation

**2. Name and address of receiving party(ies)**

Name: MST Holdings, LLC

Internal Address: \_\_\_\_\_

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

**3. Nature of conveyance/Execution Date(s):**

Execution Date(s) 4/2/2002

- Assignment
- Security Agreement
- Joint Research Agreement
- Government Interest Assignment
- Executive Order 9424, Confirmatory License
- Other Asset Purchase Agreement; Bankruptcy Order
- Merger
- Change of Name

Street Address: 14270 Burnt Woods Road

City: Glenwood

State: Maryland

Country: USA Zip: 21738

Additional name(s) & address(es) attached?  Yes  No

**4. Application or patent number(s):**

This document is being filed together with a new application.

A. Patent Application No. (s)

B. Patent No. (s)  
6,139,744  
5,958,252  
6,048,452  
6,585,899

Additional numbers attached?  Yes  No

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

Name: Kit M. Stetina, Esq.

Internal Address: Stetina Brunda et al

Street Address: 75 Enterprise, Suite 250

City: Aliso Viejo

State: CA Zip: 92656

Phone Number: (949) 855-1246

Fax Number: (949) 855-6371

Email Address: \_\_\_\_\_

**6. Total number of applications and patents involved:** 4

**7. Total fee (37 CFR 1.21(h) & 3.41) \$160.00**

- Authorized to be charged by credit card
- Authorized to be charged to deposit account
- Enclosed
- None required (government interest not affecting title)

**8. Payment Information**

a. Credit Card Last 4 Numbers \_\_\_\_\_  
Expiration Date \_\_\_\_\_

b. Deposit Account Number \_\_\_\_\_

Authorized User Name \_\_\_\_\_

**9. Signature:**

Signature

12/1/05  
Date

Kit M. Stetina  
Name of Person Signing

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

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, V.A. 22313-1450

12/06/2005 DBYRNE 00000075 6139744

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ASSET PURCHASE AGREEMENT

BY AND BETWEEN:

SELLER:

MICROSEPTEC, INC., A NEVADA CORPORATION,  
F/K/A MICROSEPTIC, INC.

BUYER:

MST HOLDINGS, LLC A MARYLAND LIMITED LIABILITY COMPANY,  
OR ITS ASSIGNEE.

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## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is entered into on April 2, 2002 by and among MicroSepTec, Inc., a Nevada corporation, f/k/a MicroSepTic, Inc. ("Debtor") and MST Holdings, LLC a Maryland Limited Liability Company, or its assignee to be determined ("Buyer"), on the other hand. The Debtor and Buyer are referred to herein, collectively, as the "Parties."

### I. RECITALS

1. The Debtor's primary business consists of inventing, improving, selling, producing and distribution of the EnviroServer, an alternative septic and sewer system which provides a safe and efficient method of organic wastewater disposal (the "Business"). In connection with the operation of the Business, the Debtor holds its own patents related to the EnviroServer.

2. The Debtor filed a petition under Chapter 11 of the Bankruptcy Code (the "Bankruptcy Case") on June 18, 2001, (the "Petition Date"), and has continued in the possession of its property and the management of its affairs.

3. Prior to the Petition Date, The Aqua Group LLC, a Washington Limited Liability Company ("TAG") and the Debtor entered into a secured financing agreement and management agreement to oversee Debtor's restructure of its marketing and sales process. As of the Petition Date, the Debtor was indebted to TAG in the amount of \$100,000 plus interest, fees, costs and other obligations of the Debtor to TAG existing as of the Petition Date.

4. On June 7, 2001, the Debtor and the TAG entered into a security agreement and a separate master promissory note for multiple advances. All of the Debtor's cash on hand and the proceeds of the Debtor's prepetition collateral are the TAG's "cash collateral" within the meaning of Bankruptcy Code Section 363(a).

5. The Debtor had an immediate need shortly after the Petition Date for financing in order to minimize the disruption of its business and daily operations, to manage and preserve the assets of its bankruptcy estate (the "Estate"), and to complete work in progress in order to generate accounts receivable. Therefore, immediately after the Petition Date, the Debtor filed its emergency motion for an Order: (1) Approving Post-Petition Financing; (2) Granting Security Interest and Superpriority Administrative Expense Treatment; (3) Modifying Automatic Stay

Pursuant to Sections 363 and 364 of the Bankruptcy Code; and (4) Authorizing Use of Cash Collateral (the "Financing Motion"). The Debtor brought the Financing Motion in order to obtain working capital to fund its ongoing business operations, and to meet immediate expenses, including payroll taxes, materials, rent, moving expenses and other vendor charges.

6. The Bankruptcy Court approved the Financing Motion and the financing facility thereunder (the "Financing Facility") pursuant to final order entered on or about August 28, 2001 (the "Financing Order").

7. Pursuant to subsequent stipulations and orders thereon entered by the Bankruptcy Court in the Debtor's bankruptcy case, the Financing Facility has been extended and increased and as of February 11, 2002, the Financing Facility totaled approximately \$570,000.

8. Until the sale transaction contemplated by this Agreement has closed, pursuant to a separate stipulation executed by the Debtor and TAG and approved by the Committee, the TAG Financing Facility shall be increased by an additional \$100,000.00 to fund the Debtor's Business operations through the Closing Date (defined below) (the "Further Financing Stipulation"). Pursuant to the Further Financing Stipulation, the total secured claim of TAG, including principal, interest, fees and costs as of the Closing Date shall be stipulated at \$690,000.00 on the Closing Date (the "TAG Claim").

9. The Debtor believes that a sale of substantially all of its assets is in the best interest of Estate and creditors.

10. The Buyer has conducted and is satisfied with its good faith due diligence review of the Debtor's Business, including Seller's assets and liabilities, books and records, financial statements and other records and accounts of the Debtor's Business.

11. The Debtor desires to sell to Buyer, and Buyer desires to acquire from the Debtor substantially all of the personal property assets of the Estate, including but not limited to all patents and intellectual property, cash, accounts receivable, tangible and intangible property and all other rights of the Debtor as more particularly described below on the terms and conditions hereinafter set forth.

NOW, THEREFORE, based upon the Recitals set forth herein, and in consideration of the representations, warranties, covenants and agreements set forth herein, and upon the terms and subject to the conditions set forth herein, the Parties agree as follows:

II. PURCHASE AND SALE OF ASSETS

1. Transfer of Assets. Subject to the terms and conditions of this Agreement, and except for the Excluded Assets (defined below), on the Closing Date, the Debtor shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase, acquire and accept from the Debtor, all of Debtor's right, title and interest in and to all of the properties, rights, contracts, interests, claims and other assets of any nature whatsoever of Debtor, wherever located, whether tangible or intangible, real, personal or mixed, as of the Closing Date (collectively, "Assets"), free and clear of all liens, charges, claims, security interests or other encumbrances of any nature whatsoever ("Encumbrances"). The Assets include, without limitation, the properties, rights, contracts, interests, claims and other assets of the Debtor described as follows:

- a. All of Debtor's interests in furnishings, furniture, office supplies, spare parts, tools, machinery and equipment (collectively, "Equipment"), used in the operation of the Business.
- b. All of the Debtor's interests in fixed assets, other than the Equipment.
- c. All quantities of the Debtor's inventory, including, without limitation, raw materials, work-in-process, finished goods, and supplies.
- d. All of the Debtor's accounts receivable and all notes receivable (whether short-term or long-term), together with any unpaid interest accrued thereon and any security or collateral therefor, including recoverable deposits (collectively, "Accounts Receivable").
- e. All of the Debtor's cash, depository accounts, bank balances, marketable securities and other liquid assets.
- f. All rights of the Debtor pursuant to warranties, representations and guarantees made by suppliers, manufacturers and contractors in connection with products or services of the Business, or affecting the Assets.
- g. All rights and interests of the Debtor in and to patents and patent applications owned by the Debtor or licensed to the Debtor by third parties and used in connection with the

Business, and all rights and interests of the Debtor in and to designs, manuals, schematics, blueprints, drawings, trade secrets, proprietary information, research, know-how, inventions, and manufacturing, engineering and other technical information whether owned by the Debtor or licensed from third parties by the Debtor which are used in connection with the Business and all trademarks, trade names and service trade names and service marks, used in connection with the Business, and all rights and interests of the Debtor in and to copyrights, and registrations and applications for such copyrights, used in connection with the Business (collectively, "Intellectual Property Rights") including, without limitation, those Intellectual Property Rights described as follows:

(1) Trademarks/ wordmarks/servicemarks: MicroSepTec; Envirotrans 2000; EnviroServer; and Puratrans.

(2) Worldwide exclusive license for U.S. Patent No. 4,631,133

(3) U.S. Patents 6,139,744; 5,958,252; 6,048,452.

(4) Patent pending under Application No. 60/164691.

h. All rights and interests of the Debtor in and to the names "MicroSepTec"; "Envirotrans 2000"; "EnviroServer"; and "Puratrans" and logos and all other names and logos used by the Debtor now or in the past;

i. All of the Debtor's rights under sale orders, purchase orders, contracts, agreements, leases, licenses, arrangements and commitments of any kind which relate to the Business or the Assets including, without limitation, all maintenance and monitoring contracts between the Debtor and its customers and Seller's rights under executory contracts and unexpired leases pursuant to Section 365 of the Bankruptcy Code (collectively, "Commitments").

j. All customer and vendor lists relating to the Business, and all files and documents (including credit information) relating to such customers and vendors, whether maintained electronically or in hard copy.

k. All prepaid charges, deposits, sums and fees and all rights to refunds pertaining to the Business, including, without limitation, any prepaid insurance premiums and any tax refunds.

l. All known and unknown, liquidated or unliquidated, contingent or fixed, claims, rights or causes of action which the Debtor or its Estate may have against any third party, including, without limitation, any insurance claims and the proceeds thereof.

m. All private agency listings or certifications, federal, state or local governmental or regulatory permits, licenses, consents, authorizations, grants, approvals and franchises held by the Debtor in connection with the operation of the Business or the ownership of the Assets (collectively, "Permits").

n. All telephone numbers, domain names, URLs and email addresses of Debtor.

o. All of the Debtor's inventory of advertising, sales and customer materials, forms, labels, promotional materials, manuals and supplies used in the operation of the Business.

p. All of the Debtor's books, records, files, documents, computer programs and records and data and proprietary information relating to the Business or to the Assets including, without limitation, Seller's accounting and financial books and records.

q. All capital stock, partnership interests or other interests which the Debtor may hold in any corporation, partnership or other entity.

r. To the extent not included in the foregoing, all rights and properties, tangible and intangible, set forth in the Schedule of Assets and Liabilities filed by Debtor in its Bankruptcy Case.

2. Excluded Assets. The Parties expressly understand and agree that Debtor is not hereunder selling, assigning, transferring or conveying to Buyer the following properties, rights, contracts, interests, claims and other assets of the Debtor (collectively, "Excluded Assets"):

a. Minute books, stock record books and corporate certificates of authority of the Debtor.

b. Bankruptcy claims of Debtor arising under any of Sections 362, 510 and 542 through 550 of the Bankruptcy Code ("Bankruptcy Actions");

c. Any properties, rights, contracts, interests, claims or other assets of the Debtor specifically listed on a schedule to be provided to the Debtor by the Buyer on or before March 29, 2002.



d. The Debtor's rights under this Agreement.

3. Assignment of Commitments. The Debtor shall use reasonable efforts to obtain prior to the Closing Date all non-governmental approvals, consents or waivers necessary to assign to Buyer on the Closing Date, without any expense to Buyer, the Commitments or any claim, right or benefit arising thereunder or resulting therefrom.

4. Assignment of Permits. The Debtor shall use reasonable efforts to assign, transfer and convey to Buyer on the Closing Date without any expense to Buyer, the Permits which are held or used by Seller in connection with the Business.

5. Buyer's Nonassumption of Liabilities. Except as specifically provided to the contrary in this Agreement, the Buyer shall not assume or in any way be liable or responsible for any liabilities or obligations of the Debtor of any nature whatsoever, including, without limitation, any obligations of Debtor resulting from events which have occurred, or will occur, prior to the Closing Date. Except for as provided otherwise in this Agreement, the Debtor shall be liable and responsible for all its liabilities and obligations resulting from events which occur prior to the Closing Date. Without limiting the generality of the foregoing, except for as provided to the contrary in this Agreement, the Buyer shall not assume any of the following liabilities, obligations or commitments of the Debtor: (i) any tax liabilities or similar assessments arising from the conduct of the Business or from occurrences prior to the Closing Date; (ii) any liabilities for breach or default by the Debtor under any Commitment assigned to Buyer hereunder, the factual or causative basis of which occurred prior to the Closing Date; (iii) any liability with respect to any claim, suit, action or judicial or arbitration proceeding made or commenced against the Debtor at or prior to the Closing Date or made or commenced after the Closing Date, to the extent that such claim, suit, action or proceeding arises out of or relates to any action, omission or condition occurring or existing prior to the Closing Date; (iv) any payroll liability, severance liability, worker's compensation, insurance or other liability to any employee or former employee of Debtor, or any other liability in respect of any employee attributable to or in respect of any period prior to the Closing Date; (v) any claim based upon product liability arising out of a product manufactured (in whole or in part) or service performed (in whole or in part) by Debtor prior to the Closing Date; or

(vi) any oil or petroleum or chemical liquids or solids or gases or hazardous or toxic waste, materials or by-product which has been used in, spilled, discharged or stored, processed, or treated at any facility used by Seller at any time prior to the Closing Date.

6. As Is/Where Is. The Debtor shall sell, transfer, convey and deliver to Buyer the Assets on an "As Is" and "Where Is" basis.

7. No Reliance. Buyer has been provided with adequate time to complete its due diligence and is satisfied with the condition of the Assets. Buyer is not relying on any representations or warranties of Seller in this purchase, but is instead relying on its own investigation and analysis of the Assets and all agreements to be assigned under this Agreement.

### III. PURCHASE PRICE AND PAYMENT

1. Purchase Price. The purchase price to be paid by Buyer for the Assets shall be Nine Hundred and Fifty Thousand Dollars (\$950,000.00) cash due on the Closing Date and an additional \$150,000 in consideration to be paid in the form of One Percent (1%) royalty on the Buyer's Net Sales which shall be paid to the Debtor on a semi-annual basis. (collectively the "Purchase Price"). The term Net Sales is defined herein as gross products sales, less returns, trade allowance and price allowances as reported in the Buyer's financial statements. The Buyer shall provide the Debtor with audited annual financial statements.

2. Satisfaction of the TAG Claim. From the Purchase Price, the Debtor shall satisfy TAG Claim.

3. Specific Liabilities Assumed by Buyer. The Buyer shall assume and pay, perform and discharge as and when due only the liabilities and obligations of Debtor becoming due after the Closing Date, except as related to accrued vacation assumed by the Buyer pursuant to this Agreement as follows (collectively the "Assumed Obligations"):

a. The liabilities and obligations of Debtor becoming due after the Closing Date under the Commitments to the extent any such Commitment is assigned to the Buyer by the Debtor.

b. The accrued vacation obligations of the Debtor with respect to those employees that are terminated by the Debtor on Closing (defined below) and hired by the Buyer, a list of which shall be provided to the Debtor by April 1, 2002.

c. The Debtor's obligations with respect to any licensing or distribution agreements as restructured or otherwise, to the extent any such licensing or distribution requirements are assigned to the Buyer by the Debtor.

4. Allocation of Purchase Price. The Buyer shall allocate the Purchase Price among the Assets as it deems appropriate on or before the Closing Date, and such allocation shall be binding upon Debtor for all tax, regulatory and financial reporting. The Debtor shall cooperate with Buyer regarding Buyer's allocation of the Purchase Price as set forth herein.

5. Sales Tax Obligations. All federal, state, local or foreign sales, use, transfer or similar taxes payable in connection with the sale of the Assets to Buyer, if any, shall be paid by the Debtor. Seller asserts that this sale is exempt from sales tax obligations and will seek a provision to such effect in the Court order approving the sale.

#### IV. CLOSING

1. The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the premises of Debtor located at 23112 Alcalde Drive Suite C, Laguna Hills, CA 92653 immediately following the satisfaction of all conditions to the Closing as set forth in Section X of this Agreement, unless waived by the parties, but in no event later than April 3, 2002 (the "Closing Date"). Buyer shall take physical possession of the Assets at the Debtor's Premises.

2. Actions at the Closing.

a. At the Closing, Buyer shall deliver to Seller:

(1) The Purchase Price by wire transfer to the trust account of Debtor's counsel or similarly immediately available funds.

(2) One or more agreements of assumption of the Assumed Liabilities in form satisfactory to the Debtor.

(3) Any other documents reasonably requested by the Debtor, on or before the seventh (7th) day prior to the Closing, to confirm the accuracy of the representations and warranties and the performance of the agreements of Buyer hereunder.

b. At the Closing, Debtor shall deliver to Buyer:

(1) The various documents referred to in Section X hereof.

(2) Such bills of sale, and other good and sufficient instruments and documents of conveyance and transfer, in form satisfactory to Buyer in the exercise of its sole and absolute discretion, as shall be necessary and effective to sell, assign, transfer, convey and deliver to Buyer, and vest in Buyer, all of the Debtor's right, title and interest in and to the Assets free and clear of any Encumbrances.

(3) Any other documents reasonably requested by Buyer to confirm the accuracy of the representations and warranties and the performance of the agreements of Debtor hereunder.

#### V. REPRESENTATIONS AND WARRANTIES OF THE DEBTOR

The Debtor hereby represents and warrants, and, where expressly states, as follows:

1. Authority.

The Debtor has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, except only for the need to obtain from the Bankruptcy Court an order approving this Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Debtor, and its board of directors. This Agreement and all other documents expressly required to be executed and delivered by the Debtor hereunder (collectively, the "Transaction Documents") have been or will be duly executed and delivered by the Debtor, and constitute or will constitute as of the Closing the valid and binding obligations of Debtor, enforceable against Debtor in accordance with the terms of the respective Transaction Documents.

2. Absence of Certain Changes or Events. Since the Petition Date, the Debtor has conducted the Business in the ordinary course and in a manner consistent with Debtor's past practices and, since such date, Debtor has not:

a. Suffered any event or occurrence that has had a Material Adverse Effect on Debtor, the Business or the Assets;

b. Suffered any damage, destruction or loss, whether covered by insurance or not, which in the aggregate, has had a Material Adverse Effect on Debtor, the Business or the Assets;

c. Sold, leased, abandoned or otherwise disposed of any Assets, other than in the ordinary course of business and/or pursuant to Bankruptcy Court order;

d. Sold, assigned, transferred, licensed or otherwise disposed of any patent, patent right, trademark, trade name, brand name, copyright (or pending application for any patent, trademark or copyright), invention, work of authorship, process, know-how, formula or trade secret or interest thereunder or other Intellectual Property Right or intangible asset;

e. Entered into any Commitment or other transaction other than Commitments or other transactions entered into in the ordinary course of the Debtor's Business and the effects of which are not reasonably likely to have a Material Adverse Effect on Debtor, the Business or any of the Assets;

f. Terminated or failed to renew any Commitment or other transaction other than Commitments or other transactions allowed to lapse pursuant to Court order, or in the ordinary course of Debtor's Business and the effects of which are not reasonably likely to have a Material Adverse Effect on Debtor, the Business or any of the Assets except that Buyer acknowledges that based on lack of funds, the Debtor has had no choice but to allow certain patent applications in Europe to lapse related to the EnviroServer and Envirotrans and the Buyer also acknowledges that the only current patent protection relates to the EnviroServer in the United States and that certain fees are to be paid and work needs to be done with respect to the Debtor's U. S. patent application for the Envirotrans no later than April 5, 2002; or

g. Agreed to take any action which would constitute a breach of any of the representations or warranties of the Debtor contained in this Agreement.

3. Tangible Assets and Real Property.

a. The Debtor owns all tangible Assets which are used in the conduct of its Business as currently conducted (the "Tangible Assets"). The Debtor has good and marketable title to all Tangible Assets, subject to certain security interests which shall be released as of the Closing Date pursuant to Bankruptcy Court order.

b. The Debtor does not own any real property. The Debtor leases the Premises.

4. Commitments.

a. The Debtor is not in default under or in breach or violation of, nor is there any valid basis for any claim of default by the Debtor under, or breach or violation by the Debtor of, any Commitment, except where such default or breach would not have a Material Adverse Effect on Debtor, the Business or any of the Assets. No other party is in default under or in breach or violation of any Commitment.

5. Permits. The Debtor has obtained all permits that are required for the operation of the Business (the "Permits"), and all of such Permits are in full force and effect.

6. Material Adverse Effect. For the purpose of this Agreement, any reference to a "Material Adverse Effect" means a material adverse effect on the Business, Assets (including intangible Assets), financial condition, prospects or results of operations of the Debtor, including without limitation, any loss of key officers or employees of the Debtor, customers of the Debtor, or vendors of Debtor, which has caused or is likely to cause individually in excess of \$10,000, or, in the aggregate with other individual items, in excess of \$25,000 in loss to the Debtor, the Business or the Assets, other than as may occur in the ordinary course of business.

**VI. REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer represents and warrants to Seller as follows:

1. Organization. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite

organizational power to own, lease and operate its property and to carry on its business in the State of California.

2. Authority; No Conflict; Required Filings and Consents.

a. Buyer has all requisite organizational power and authority to enter into this Agreement and the other Transaction Documents to which it is or will be a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the other Transaction Documents to which Buyer is or will be a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of Buyer and its members. This Agreement and the other Transaction Documents to which Buyer is a party have been or will be duly executed and delivered by Buyer, and constitute or will constitute as of the Closing the valid and binding obligations of Buyer, enforceable in accordance with the terms of the respective Transaction Documents.

b. The execution and delivery by Buyer of this Agreement, the other Transaction Documents to which it is or will be a party do not, and the consummation of the transactions contemplated hereby and thereby will not, (i) conflict with, or result in any violation or breach of any provision of the Operating Agreement or other charter documents of Buyer, (ii) result in any violation or breach of, or constitute (with or without notice or lapse of time, or both) a default under, or give rise to a right of termination, cancellation or acceleration of any material obligation or loss of any material benefit under, any note, mortgage, indenture, lease, contract or other agreement, instrument or obligation to which Buyer is a party or by which Buyer or any of its properties or assets may be bound, or (iii) conflict with or violate any permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Buyer or any of its properties or assets.

c. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required to be obtained by Buyer in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for an order of the Bankruptcy Court approving this Agreement and for such

consents, approvals, orders, authorizations, registrations, declarations or filings which, if not obtained or made, would not prevent or materially alter or delay any of the transactions contemplated by this Agreement.

d. No Misrepresentation. No representation or warranty made by Buyer in this Agreement or in any Transaction Document, or any written statement, certificate, schedule or document furnished or to be furnished by or on behalf of Buyer pursuant to this Agreement, when taken together, contains or shall contain any untrue statement or omits or shall omit to state a required to be stated therein or necessary in order to make such statements, in light of the circumstances under which they were made, not misleading.

## VII. COVENANTS OF DEBTOR AS SELLER

The Debtor hereby covenants and agrees with Buyer, as follows:

1. Conduct of Business. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the Closing, Debtor agrees as follows:

- a. To carry on its Business in the usual, regular and ordinary course in substantially the same manner as previously conducted.
- b. To pay its post-petition debts and taxes when due, subject to any good faith dispute over such debts or taxes;
- c. To pay or perform its other obligations when due (subject to any good faith disputes with respect to such obligations).
- d. To use all commercially reasonable efforts consistent with its past practices and policies to (i) preserve intact its present business organization, (ii) keep available the services of its present officers and key employees and (iii) preserve its relationships with customers, suppliers and others having business dealings with it.

2. Notification to Buyer. The Debtor shall immediately notify the Buyer of any event or occurrence in the conduct of the Business of the Debtor where such event or occurrence would result in a breach of any covenant of the Debtor set forth in this Agreement or cause any representation or warranty of the Debtor set forth in this Agreement to be untrue as of the date of



such event or occurrence. Except as expressly contemplated by this Agreement, the Debtor shall not, without the prior written consent of Buyer, take any of the following actions:

- a. Transfer or license to any person or entity or otherwise extend, amend or modify any Intellectual Property Right.
- b. Sell, lease, license or otherwise dispose of any of its properties or assets which are material, individually or in the aggregate, to the Business.
- c. Take any action to (i) increase or agree to increase the compensation payable or to become payable to its directors, officers or employees, (ii) grant any additional severance or termination pay to, or enter into any employment or severance agreements with, its directors or officers, (iii) grant any severance or termination pay to, or enter into any employment or severance agreement with, any non-officer employee, (iv) enter into any collective bargaining agreement, (v) establish, adopt, enter into or amend any bonus, profit sharing, thrift, compensation, option, pension, retirement, deferred compensation, employment, termination, severance or other plan, trust, fund, policy or arrangement for the benefit of any directors, officers or employees.
- d. Amend or terminate any Commitment to which it is a party.
- e. Waive or release any material right or claim.
- f. Initiate any litigation or arbitration proceeding.
- g. Take or agree to take, in writing or otherwise, any action which is reasonably likely to make any of the Debtor's representations or warranties contained in this Agreement untrue or incorrect in any respect on the date made or as of the Closing.

3. Cooperation. From the date hereof until the Closing, one or more representatives of Debtor shall confer on a regular and frequent basis with one or more representatives of Buyer to report operational matters or occurrences of materiality and the general status of ongoing operations and shall provide Buyer or its counsel with copies of all pleadings filed in the Bankruptcy Court by the Debtor in connection with this Agreement and the transactions contemplated hereby, within forty-eight (48) hours after the filing of such pleadings.

4. Consents. The Debtor shall obtain all necessary releases, consents, waivers and approvals under its material Commitments and Permits as may be advisable to consummate the transactions contemplated by this Agreement. To the extent that the Debtor's rights under any Commitments and Permits to be assigned to the Buyer hereunder may not be assigned without the consent of another person which has not been obtained by the date of this Agreement, then Debtor shall obtain any such required consent(s) as promptly as possible, but in any event prior to the Closing.

5. Access to Information; Access to Records. Upon reasonable notice, the Debtor shall afford to Buyer and Buyer's representatives reasonable access, during normal business hours during the period prior to the Closing, to the Debtor's Premises and to all of the Debtor's properties, books, records, contracts and other Commitments and to the officers, employees, agents, attorneys and accountants of the Debtor, and, during such period, the Debtor shall furnish promptly to Buyer or Buyer's representatives all other information concerning Debtor's Business, properties and personnel as Buyer may reasonably request. No information or knowledge obtained in any investigation pursuant to this Section shall affect or be deemed to modify any representation or warranty contained in this Agreement.

6. Brokers or Finders. The Debtor has not incurred any liability to any broker, finder or agent for any brokerage fees, finder's fees or commissions (collectively, "Fees") with respect to the transactions contemplated by this Agreement. The Debtor shall indemnify Buyer to the extent that any party makes a claim against Buyer for Fees due to the actions of the Debtor.

7. Additional Agreements; Reasonable Efforts. Subject to the terms and conditions of this Agreement, the Debtor agrees to use all reasonable efforts to take, or cause to be taken, action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, including cooperating fully with Buyer and providing to Buyer any information reasonably required by Buyer. In case at any time after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement or to vest Buyer with full title to all of the Assets, the Debtor shall take all such necessary action.

8. The Debtor's Employees. Except for as provided otherwise herein, the Debtor agrees that the Buyer is assuming no obligations or liabilities of any nature toward or on account of any of the Debtor's present or past employees or in respect of such employment as a result of this Agreement. The Debtor hereby consents to Buyer's interviewing and employing any of the Debtor's employees, any such employment by Buyer to be for Buyer's sole account and on such terms and conditions as Buyer may extend. Effective on the Closing Date, Seller shall have duly terminated all of its employees, and shall have obtained from the Bankruptcy Court a final non-appealable order of the Bankruptcy Court authorizing the Debtor to reject any employment, consulting, or other agreements with respect to any of its employees. At the request of Buyer, the Debtor shall use reasonable efforts to encourage any existing employees of the Debtor whom Buyer desires to employ after the Closing to accept employment with Buyer after the Closing. Buyer shall provide, no later than April 1, 2002, a list of those employees to be hired by the Buyer post-closing.

9. Public Statements and Press Releases. The Debtor covenants and agrees that, except as provided for herein, the Debtor shall not from and after the date hereof make, issue or release any public announcement, press release, statement or acknowledgment of the existence of, or reveal publicly the terms, conditions and status of, the transactions provided for herein, without the prior written consent of Buyer as to the content and time of release of and the media in which such statement or announcement is to be made; provided, however, that, in the case of announcements, statements, acknowledgments or revelations which the Debtor is required by law to make, issue or release (including, without limitation, the filing of motions in connection with obtaining Bankruptcy Court approval of this Agreement and the dissemination of copies of this Agreement and any documents related thereto to any unsecured creditors' committee and to any other parties-in-interest in the Debtor's Bankruptcy Case), the making, issuing or releasing of any such announcement, statement, acknowledgment or revelation shall not constitute a breach of this Agreement. The Debtor shall cooperate with Buyer in the issuance or release by Buyer of any statement or announcement by Buyer relative to the terms, conditions or status of the transactions provided for herein.

10. Bankruptcy Court Approval of This Agreement.

a. As promptly as practicable after the date hereof, the Debtor shall bring a motion (the "Sale Motion") to obtain from the Bankruptcy Court an order of the Bankruptcy Court, in a form satisfactory to Buyer, approving the Debtor's sale and assignment of the Assets to Buyer in accordance with the terms of this Agreement ("Sale Order").

b. If the Sale Order is appealed by any party (or a post-hearing motion, including, without limitation, a motion for amended findings or reconsideration or stay pending appeal, is filed with respect to the Sale Order, or a petition for certiorari or motion for rehearing or reargument is filed with respect to the Sale Order), at Buyer's request and at Buyer's expense, the Debtor shall take all steps as may be reasonable and appropriate to prosecute such appeal, petition or motion, or defend against such appeal, petition or motion, and Seller shall use its best efforts to obtain an expedited resolution of any such appeal; provided, however, that nothing herein shall preclude Buyer and Seller from consummating the transactions herein and mutually waiving (or having deemed waived) the requirement that the Sale Order be a final order of the Bankruptcy Court.

11. Confidentiality Agreement of the Debtor After Closing.

a. From and after the Closing Date, except as otherwise consented to by Buyer in writing, (i) the Debtor shall not directly or indirectly disclose or use in a manner adverse to the Buyer any Company Confidential Information (as defined below) except as required by the terms of a valid and effective subpoena or order issued by a court of competent jurisdiction or by a Governmental Entity; (ii) the Company Confidential Information shall be the exclusive property of Buyer and, any time on or after the Closing Date, if requested by Buyer, the Debtor shall promptly deliver to Buyer all Company Confidential Information, including all copies thereof, which are in the possession, or under the control of the Debtor or any of its agents or representatives, without making or retaining any copies or extracts thereof, and (iii) if the Debtor or any of its respective agents or representatives receive a request to disclose all of any part of the Company Confidential Information, or the Debtor requests to disclose all or any part of the Company Confidential Information in connection with any litigation involving the Debtor, the Debtor, shall (A) immediately

notify Buyer of the existence, terms and circumstances surrounding such request; (B) consult with Buyer on the advisability of taking legally available steps to resist or narrow such request, and (C) if disclosure of such information is required or deemed necessary by the Debtor to further or protect the Debtor's interests in any such litigation, exercise reasonable efforts to obtain an order or other reliable assurance that confidential treatment will be accorded such portion of the disclosed information which Buyer so designates.

b. For the purpose of this Agreement, "Company Confidential Information" shall mean any and all information relating to the management, operations, finances, products, trade secrets, technology or services of Buyer, including but not limited to, any and all financial data, computer programs and systems, computer-based information, plans, projections, existing or proposed and contemplated projects or investments, formulae, processes, methods, products, manuals, drawings, supplier lists, customer lists, purchase and sales records, marketing information, commitments, correspondence and other information relating to Seller's Business, whether written, oral or computer generated, other than such information as may at any time be or become lawfully available to the general public.

c. The covenants and undertakings contained in this Section relate to matters which may be of a special, unique and extraordinary character and a violation of any of the terms of this Section may cause irreparable injury to Buyer, the amount of which may be impossible to estimate or determine and for which adequate compensation may not be available. Therefore, Buyer may be entitled to an injunction, restraining order, or other equitable relief from a court of competent jurisdiction, restraining any violation or threatened violation of any such terms by the Debtor and such other persons as the court orders.

12. Personal Property Taxes. The Buyer and Debtor shall each pay its portion, prorated as of the Closing Date, of any personal property taxes relating to the Assets; provided, however, in accordance with the provisions of this Agreement, the Debtor shall pay all taxes associated with the sale and assignment of the Assets to Buyer pursuant to this Agreement.

### VIII. COVENANTS OF BUYER

Buyer hereby covenants and agrees with Seller as follows:

1. Brokers or Finders. Buyer has not incurred any liability to any broker, finder or agent for any Fees with respect to the transactions contemplated by this Agreement, and shall indemnify the Debtor to the extent that any party makes a claim against Seller for Fees due to the actions of Buyer.

2. Additional Agreements; Reasonable Efforts. Subject to the terms and conditions of this Agreement, Buyer agrees to use all reasonable efforts to take, or cause to be taken, action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, including cooperating fully with the Debtor and providing to the Debtor any information reasonably required by the Debtor. In case at any time after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement or to provide for the assumption by Buyer of the Assumed Liabilities, Buyer shall take all such necessary actions.

**IX. RISK OF LOSS; DISCLOSURES; SURVIVAL OF REPRESENTATIONS AND WARRANTIES**

1. Risk of Loss. From the date hereof through the Closing Date, all risk of loss or damage to the Assets shall be borne by the Debtor, and thereafter shall be borne by Buyer. If any significant portion of the Assets is destroyed or damaged by fire or by any other cause prior to the Closing Date, other than use, wear or loss in the ordinary course of Debtor's Business, the Debtor shall give written notice to the Buyer as soon as practicable after, but in any event within, five (5) calendar days (or as soon as practical) of, discovery of such damage or destruction, regarding the amount of insurance, if any, covering such Assets and the amount, if any, which the Debtor is otherwise entitled to receive as a consequence. Prior to the Closing Date, the Buyer shall have the option, which shall be exercised by written notice to the Debtor within ten (10) calendar days after receipt of the Debtor's notice or if there is not ten (10) calendar days prior to the Closing Date, as soon as practicable prior to the Closing Date, of (a) accepting such Assets in their destroyed or damaged condition in which event Buyer shall be entitled to the proceeds of any insurance or other proceeds payable with respect to such loss, and the full Purchase Price shall be paid for such Assets, (b) excluding such Assets from this Agreement, in which event the

Purchase Price shall be reduced by the amount attributable to the repair or replacement cost of such Assets, or (c) if a significant portion of the Assets are destroyed or damaged, terminating this Agreement in accordance with Section XII hereof. If Buyer accepts such Assets, then after the Closing, any insurance or other proceeds shall belong to, and shall be assigned to, Buyer without any reduction in the Purchase Price; otherwise, such insurance proceeds shall belong to the Debtor. For the purpose of this Section, references to a "significant" portion of Assets lost or damaged shall mean Assets lost or damaged having, in the aggregate, a repair cost or replacement cost in excess of \$25,000.00.

2. Disclosures. The Parties hereto agree that any facts disclosed in this Agreement, any of the Transaction Documents or any other documents, schedules or exhibits required by this Agreement shall be deemed to be disclosed for all purposes of this Agreement. Except as otherwise provided herein, all representations, warranties, covenants and agreements made in this Agreement and any Transaction Documents or other documents delivered pursuant hereto shall be deemed to be material and to have been relied upon by the Debtor or Buyer, as the case may be, notwithstanding any investigation heretofore or hereafter made by or on behalf of the Debtor or Buyer.

3. Survival of Representations and Warranties. The representations and warranties made hereunder, and the covenants and agreements hereunder to be performed at or before the Closing, shall only be valid through the Closing.

#### **X. CONDITIONS TO CLOSING.**

1. Conditions on Behalf of the Debtor. The obligation of the Debtor to proceed with the Closing is subject, at the option of the Debtor, to the fulfillment (prior to or simultaneously with the Closing) of each of the following conditions:

a. Representations and Warranties. The representations and warranties of Buyer made in Agreement shall be, at and as of the Closing, true in all material respects as though such representations and warranties have been made or given at and as of the Closing, except for changes contemplated or permitted by or under this Agreement.

b. Performance of Agreements. Buyer shall have performed and complied in all material respects with all agreements, covenants and conditions required to be performed by Buyer or complied with by Buyer prior to or at the Closing.

c. Payment of Purchase Price. Buyer shall have paid the Purchase Price purchasing all the Assets hereunder, in accordance with the provisions of Article III of this Agreement.

d. Bankruptcy Court Approval. The Bankruptcy Court shall have entered a final, non-appealable Sale Order on terms satisfactory to Buyer, provided that if Buyer waives the conditions set forth in Section X.2.f., then Debtor will have deemed to have waived this condition.

e. Financing. The \$100,000 in additional financing to be provided by TAG shall have been provided to the Debtor as needed to cover payroll and other expenses commencing February 15, 2002 through no later than March 29, 2002.

2. Conditions on Behalf of Buyer. The obligation of Buyer to proceed with the Closing is subject, at the option of Buyer, to the fulfillment (prior to or simultaneously with the Closing) of each of the following conditions:

a. Representations and Warranties. The representations and warranties of the Debtor made in herein shall be, at and as of the Closing, true in all material respects as though such representations and warranties have been made or given at and as of the date of the Closing, except for changes contemplated or permitted by or under this Agreement.

b. Performance of Agreements. The Debtor shall have performed and complied in all material respects with all agreements, covenants and conditions required to be performed by the Debtor or complied with by the Debtor prior to or at the Closing.

c. Bill of Sale. The Buyer shall have received a bill of sale, in the form of **Exhibit "A"** hereto, conveying all of the Assets to Buyer, free and clear of all Encumbrances.

d. Assignment of Commitments and Permits. The Buyer shall have received duly executed assignments, in the form acceptable to the Buyer for each of the Commitments, Permits and other Assets to be assigned to Buyer hereunder.



e. Other Assurances. The Buyer shall have received such other documents and assurances from the Debtor relative to the effectuation of the transactions contemplated by this Agreement as Buyer may reasonably request.

f. Bankruptcy Court Approval. The Bankruptcy Court shall have entered a final, non-appealable Sale Order on terms satisfactory to Buyer.

g. Orders, Consents and Permits. All orders, consents or Permits necessary to the consummation of the transactions contemplated hereby, and all required third-party consents to the assignment of the Commitments to Buyer, shall have been obtained. The Debtor shall have cured or received waivers of any outstanding breaches with respect to any Commitments assumed by Buyer hereunder.

h. Material Adverse Change. From the date of this Agreement and until the Closing there shall not have occurred any event or transaction which had or will have any Material Adverse Effect with respect to the Debtor, the Business or any of the Assets.

i. Actions, Statutes, Rules or Regulations. No action by any Governmental Entity or any person or entity shall have been instituted or threatened which questions the validity or legality of the transactions contemplated hereby and which could reasonably be expected to (i) materially affect the right or ability of Buyer to own, operate, possess or transfer the Assets after the Closing Date, or (ii) materially damage Buyer if the transactions contemplated hereunder are consummated. There shall not be any statute, rule or regulation that makes the purchase and sale of the Assets contemplated hereby illegal or otherwise prohibited.

j. Release of Encumbrances. The Buyer shall have obtained a release of all Encumbrances with respect to the Assets through a Bankruptcy Court order.

k. Waiver of Conditions. Any or all of the foregoing conditions may be waived in whole or in part by a writing executed by the Party on whose behalf such waived condition is included herein, except as specifically provided in Section X.1.d.

#### XI. INDEMNIFICATION

The Debtor and the Buyer shall indemnify, defend, protect and hold harmless each other and each other's respective successors and assigns and each of their respective directors,

officers, employees, agents and affiliates (each an "Indemnified Party"), against all losses, claims, damages, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation) ("Losses") based upon, resulting from or arising out of (a) any inaccuracy or breach of their respective representations or warranties contained in or made in connection with this Agreement, and (b) any breach of, or the failure to observe, any of their respective covenants or other agreements contained in or made in connection with this Agreement.

Notwithstanding the foregoing, the aggregate amount to be paid by Buyer or Debtor under this Section shall not exceed 100% of the Purchase Price, net of any insurance proceeds received by the Party asserting indemnification rights pursuant to this Section.

## XII. TERMINATION

1. Termination. This Agreement may be terminated at any time prior to the Closing as follows:

- a. By mutual written consent of Buyer and the Debtor;
- b. By Buyer if the Closing shall not have occurred by April 3, 2002 (provided that the right to terminate this Agreement under this Section shall not be available to Buyer if any failure by Buyer to fulfill any obligation of Buyer under this Agreement has been the cause of or resulted in the failure of the Closing to occur on or before such date);
- c. By either the Buyer or Debtor if a court of competent jurisdiction or other Governmental Entity shall have issued a non-appealable final order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby, except, if the Party relying on such order, decree or ruling or other action has not complied with its obligations with respect thereto under this Agreement;
- d. By the Debtor, at its option, if there is a material breach by Buyer of any representation or warranty of Buyer set forth herein or of any covenant or agreement to be complied with or performed by Buyer pursuant to the terms of this Agreement or the failure of a condition set forth in Section X hereof to be satisfied (and such condition is not waived in writing

by Debtor) on or prior to the Closing Date, or the occurrence of any event which results or would result in the failure of a condition set forth in Section X hereof to be satisfied on or prior to the Closing Date;

e. By Buyer, at its option, if there is a material breach by the Debtor of any representation or warranty of Debtor set forth herein or any covenant or agreement to be complied with or performed by Debtor pursuant to the terms of this Agreement, or the material failure of a condition set forth in Section X hereof to be satisfied (and such condition is not waived in writing by Buyer) on or prior to the Closing Date, or the occurrence of any event which results or would result in the failure of a condition set forth in Section X to be satisfied on or prior to the Closing Date;

f. By Buyer, if the Bankruptcy Court does not enter, by March 1, 2002, the Sale Procedures Order on terms satisfactory to Buyer;

g. By Buyer, if the Bankruptcy Court does not enter, by April 2, 2002, the Sale Order on terms satisfactory to Buyer; or

h. By either Buyer or Debtor, if pursuant to the Sale Order, the Bankruptcy Court enters an order approving a binding agreement relative to another transaction with respect to a sale of the Assets or another similar acquisition of the Business of Debtor by a third party.

2. Effect of Termination. In the event of any termination of this Agreement as permitted by herein, this Agreement shall forthwith become void and no Party hereto shall have any liability or further obligation to any other Party hereto under or by reason of this Agreement or the transactions contemplated hereby, except for any breach of this Agreement occurring prior to or as a result of a termination of this Agreement and except that: (a) each Party shall redeliver to the other Party all documents, work papers, and other materials of any other Party relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof; and (b) each Party shall comply with the provisions of this Agreement regarding Company Confidential Information.

3. Extension; Waiver. At any time prior to the Closing Date, Buyer or the Debtor may (i) extend the time for the performance for its behalf of any of the obligations or other acts of

another Party hereto, (ii) waive any inaccuracies in the representations and warranties given for its behalf herein or in any document delivered pursuant hereto, and (iii) waive compliance with any of the agreements or conditions contained for its behalf herein. Any agreement on the part of a Party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such Party.

### XIII. MISCELLANEOUS

1. Cooperation in Certain Matters. Except as otherwise specifically addressed in this Agreement, Buyer and the Debtor shall cooperate with each other in providing to each other reasonably requested information, documents, access to personnel, witnesses and other evidence appropriate to effectuate the transactions provided by this Agreement.

2. Expenses. Except as set forth to the contrary in this Agreement, each of the Parties hereto shall be responsible for its own fees and expenses, including, but not limited to, fees and expenses with respect to the engagement of outside accountants and attorneys, incurred by it in connection with this Agreement and the transactions contemplated with respect to this Agreement.

3. Parties in Interest. The respective rights and obligations of the Parties to this Agreement shall be binding upon the Parties and their respective heirs, successors and assigns and inure to the benefit of the Parties, but may not be assigned or otherwise transferred or delegated, by operation of law or otherwise, in whole or in part without the prior written consent of the Parties hereto, which consent shall not be unreasonably withheld. Any attempted assignment or transfer without such prior consent shall be void. Notwithstanding the foregoing, Buyer shall have the right to transfer its interests under this Agreement to any subsidiary or other affiliate of Buyer.

4. Entire Agreement; Amendments. This Agreement (including all attachments hereto which shall be deemed a part of this Agreement) contains the entire understanding of the Parties hereto with respect to the transactions described and contemplated in this Agreement and supersedes and cancels all prior written and oral agreements in principle, letters of intent, understandings or other agreements among the Parties hereto with respect to such subject matter and may be amended only by a written instrument executed by each of the Parties hereto.

5. Headings. Section headings contained herein are for reference purposes only and shall not affect in any manner the meaning or interpretation of this Agreement.

6. Notices. All notices, claims, certificates, requests, demands and other communications hereunder shall be in writing and shall be served as follows:

If to the Debtor:	MicroSepTec Inc. Attn: Michael Grubb, President 23112 Alcalde Drive Suite C Laguna Hills, CA 92653 Tel: 949-855-3500 Fax: 949-855-3515
With a copy to:	James C. Bastian, Jr. MARSHACK SHULMAN HODGES & BASTIAN LLP 26632 Towne Centre, Suite 300 Foothill Ranch, California 92610-2808 Tel: (949) 340-3400 Fax: (949) 340-3000
If to the Buyer	MST Holdings, LLC Attn: Wayne Newsome 14270 Burnt Woods Road Glenwood, MD 21738 Tel: (410) 442-1555 Fax: (410) 442-0273
With a copy to:	Robert W. Pitts, Esq. Winthrop Couchot 3 Civic Plaza Suite 280 Newport Beach, CA 92660 Tel: 949-720-4100 Fax: 949-720-4111

-- or to such other address as the Party to whom notice is to be given may have furnished to the other in writing in accordance herewith. All notices shall be deemed received on the date of service of such notice if notice is effectuated via telefacsimile transmission or by hand delivery, or, if notice is effectuated by first-class mail, on the third business day after such notice is mailed.

7. Default and Remedy. Notwithstanding anything to the contrary contained in this Agreement, in the event that any Party defaults in the performance of its obligations under this Agreement, a non-defaulting Party may elect to pursue all available legal remedies, including the right of specific performance of this Agreement.

8. Counterparts. This Agreement may be executed in any number of original, fax or copied counterparts, and all counterparts shall be considered together as one agreement. A

faxed or copied counterpart shall have the same force and effect as an original signed counterpart. Each of the Parties hereby expressly forever waives any and all rights to raise the use of a fax machine to deliver a signature, or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a fax machine, as a defense to the formation of a contract..

9. No Waiver. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provisions of this Agreement, nor shall any such waiver constitute a continuing waiver. No waiver shall be binding unless executed by the Party making the waiver.

10. Invalidity. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement or any other such instrument.

11. Attorneys' Fees. If any legal action is brought for the enforcement of this Agreement or because of any alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing Party shall be entitled to recover its reasonable attorneys' fees and all other costs incurred in that action in addition to any other relief to which it may be entitled.

12. Governing Law. This Agreement is to be governed by and construed in accordance with federal bankruptcy law, to the extent applicable, and where state law is implicated, the laws of the State of California shall govern.

13. Bankruptcy Court Jurisdiction. The resolution of any and all disputes between the Debtor and the Buyer concerning this Agreement and the Assets shall be resolved by the United States Bankruptcy Court for the Central District of California, Santa Ana Division. Further, if a dispute arises, such dispute may initially be resolved through the Mediation Program pending in the United States Bankruptcy Court for the Central District of California..

14. Interpretation. Each of the Parties hereto acknowledge that this Agreement is the product of extensive negotiations between the Parties hereto and that this Agreement shall not be construed more strictly against one Party than against another Party. Unless the context in this Agreement requires otherwise, the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine and the neuter, and the plural includes the singular and vice versa.

15. Knowing and Voluntary Agreement. Each Party hereto acknowledges that it has entered into this Agreement knowingly and voluntarily of its own free will and under no duress of any nature.

16. Time is of the Essence. Each Party hereto acknowledges that time is strictly of the essence in the performance of each Party's obligations hereunder.

17. Legal Representation. Each of the Parties hereto acknowledges that it has been represented by, and has relied upon the advice of, separate legal counsel with respect to the negotiation and drafting of this Agreement.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed on the date first above written.

**MICROSEPTEC INC., a  
Nevada corporation**



By: Michael Grubb  
Its: President

**MST HOLDINGS, LLC, a  
Maryland Limited Liability Company**

By:  
Its: Manager

14. Interpretation. Each of the Parties hereto acknowledge that this Agreement is the product of extensive negotiations between the Parties hereto and that this Agreement shall not be construed more strictly against one Party than against another Party. Unless the context in this Agreement requires otherwise, the gender (or lack of gender) of all words used in this Agreement includes the masculine, feminine and the neuter, and the plural includes the singular and vice versa.

15. Knowing and Voluntary Agreement. Each Party hereto acknowledges that it has entered into this Agreement knowingly and voluntarily of its own free will and under no duress of any nature.

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**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed on the date first above written.

**MICROSEPTEC INC., a  
Nevada corporation**

By: Michael Grubb  
Its: President

**MST HOLDINGS, LLC, a  
Maryland Limited Liability Company**

By:   
Its: Manager

EXHIBIT | PAGE 37



EXHIBIT A

Bill of Sale

EXHIBIT 1 PAGE 38

2552-0  
C.W.M.P.

Exhibit A  
Page 31

**PATENT**  
**REEL: 017303 FRAME: 0053**

BILL OF SALE

For good and valuable consideration, receipt of which is hereby acknowledged, the undersigned, **MicroSepTec, Inc.**, a Nevada corporation, **the debtor and debtor in possession in the Chapter 11 Bankruptcy Case of In re MicroSepTec, Inc., Case No. SA 01-15380 JR** (the "Seller or "Debtor"), pursuant to the Order Authorizing (1) Sale and Assignment of Substantially All of the Assets of the Estate Free and Clear of Liens; (2) Assumption and Assignment of Leases and Executory Contracts; and (3) Rejection of Leases and Executory Contracts entered by the Bankruptcy Court on April 1, 2002 (the "Sale Order"), does hereby give, grant, bargain, sell, transfer, assign, convey and deliver to **MST Holdings, LLC a Maryland Limited Liability Company ("Buyer")**, all of the Seller's interest in the assets of Debtor described in the Sale Order, a copy of which is attached hereto as Exhibit "A" and incorporated by reference herein (the "Assets"), subject to the terms of the Sale Order. The assets are sold for the cash price of Nine Hundred Fifty Thousand Dollars (\$950,000.00) and an additional \$150,000 in consideration to be paid in the form of a One Percent (1.0%) royalty on net sales of Buyer (as more fully defined in the Asset Purchase Agreement dated April 2, 2002).

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EXHIBIT | PAGE 39

Exhibit   A    
Page   32

All references to "Seller" and "Buyer" herein shall be deemed to include their respective heirs, representatives, nominees, successors and/or assigns, where the context permits.

Dated: April 2, 2002

**"SELLER"**

MICROSEPTEC INC., a  
Nevada corporation

---

By: Michael Grubb  
Its: President

EXHIBIT 1 PAGE 40

ATTORNEY DOCKET NO: BECKG-000

TITLE: U.S. Patent Nos. 6,139,744; 5,958,252; 6,048,452; 6,585,899

**Certificate of Mailing under 37 CFR 1.8 or 37 CFR 1.10**

I hereby certify that this correspondence is being deposited with the United States Postal Service with sufficient postage as first class mail in an envelope addressed to:

Mail Stop ASSIGNMENT RECORDATION SERVICES  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

on December 1, 2005

  
(Signature)

**Bethany Miles**

(Typed name of person signing certificate)

Note: Each paper must have its own certificate of mailing, or this certificate must identify each submitted paper.

1. Certificate of Mailing;
2. Recordation Form Cover Sheet Patents Only;
3. Asset Purchase Agreement (33 Pages);
4. Bankruptcy Order (6 Pages);
5. Check for \$160; and
6. Return Receipt Postcard

COPY

1 James C. Bastian, Jr. - Bar No. 175415  
2 MARSHACK SHULMAN HODGES & BASTIAN LLP  
3 26632 Towne Centre, Suite 300  
4 Foothill Ranch, California 92610-2808  
5 Telephone: (949) 340-3400  
6 Facsimile: (949) 340-3000

FILED  
APR - 1 2002  
CLERK U.S. BANKRUPTCY COURT  
SANTA ANA, CALIFORNIA

7 Attorneys for the Debtor and Debtor in Possession  
8 MicroSepTec, Inc., a Nevada corporation

ENTERED  
APR - 1 2002  
CLERK U.S. BANKRUPTCY COURT  
SANTA ANA, CALIFORNIA

9 UNITED STATES BANKRUPTCY COURT  
10 CENTRAL DISTRICT OF CALIFORNIA - SANTA ANA DIVISION

11 In re  
12 MICROSEPTEC, INC., a  
13 Nevada corporation,  
14 Debtor.

Case No. SA 01-15380 JR  
Chapter 11

ORDER AUTHORIZING:

- (1) SALE AND ASSIGNMENT OF SUBSTANTIALLY ALL OF THE ASSETS OF THE ESTATE FREE AND CLEAR OF LIENS;
- (2) ASSUMPTION AND ASSIGNMENT OF LEASES AND EXECUTORY CONTRACTS; AND
- (3) REJECTION OF LEASES AND EXECUTORY CONTRACTS

Date: April 1, 2002  
Time: 2:00 P.M.  
Place: Courtroom 5A  
Ronald Reagan Federal Building  
and United States Courthouse  
411 West Fourth Street  
Santa Ana, California 92701

15 The Motion for Order Authorizing (1) Sale and Assignment of Substantially  
16 All of the Assets of the Estate Free and Clear of Liens; (2) Assumption and  
17 Assignment of Leases and Executory Contracts; and (3) Rejection of Leases and  
18 Executory Contracts ("Sale Motion") filed by MicroSepTec, Inc., a Nevada  
19 corporation, the debtor and debtor in possession herein ("Debtor"), came on for  
20  
21  
22

EXHIBIT 2 PAGE 41

1 hearing on April 1, 2002, the Honorable John E. Ryan, United States Bankruptcy  
2 Judge presiding.

3 The Debtor appeared through Marshack Shulman Hodges & Bastian LLP by  
4 James C. Bastian, Jr. The Official Committee of Unsecured Creditors (the  
5 "Committee") appeared through its counsel Todd C. Ringstad. MST Holdings, LLC,  
6 a Maryland Limited Liability Company (the "MST") appeared through Winthrop  
7 Couchot PC by Robert W. Pitts. Other parties appeared as reflected in the Court's  
8 record.

9 The Court, having reviewed the Sale Motion, the Declarations and  
10 Memorandum of Points and Authorities filed in support thereof, the pleadings and  
11 other documents on file in this bankruptcy case, and having considered the  
12 arguments and representations of counsel and others who appeared at the hearing  
13 on the Sale Motion, and having found that (a) the Debtor provided notice of the  
14 Sale Motion in accordance with and as required by Bankruptcy Rule 2002 and prior  
15 Orders of this Court; (b) the Debtor having received the highest bid from MST  
16 ("Successful Bidder") to acquire substantially all of the assets of the Debtor's  
17 estate (the "Assets") as set forth in the Sale Motion, (c) said bid from the  
18 Successful Bidder is more favorable to the Debtor's bankruptcy estate than any  
19 other bids received prior to and during the hearing, (d) such bid represents the  
20 highest and best offer to acquire the Assets; (e) the purchase price for the Assets  
21 is fair and reasonable under the circumstances of the case; (f) the Debtor has  
22 established that there exists sufficient business justification to sell the Assets free  
23 and clear of liens pursuant to Bankruptcy Code Section 363, each of the holders of  
24 liens against the Assets will receive payment in full from the proceeds of the sale,  
25 or the liens will attach to the proceeds of the sale or such holders have consented  
26 to the sale and thus the Assets may be sold free and clear of liens pursuant to  
27 Section 363(f) of the Bankruptcy Code; (g) the sale of the Assets pursuant to the  
28 Asset Purchase Agreement (the "Purchase Agreement") attached hereto as Exhibit

1 "A" is in the best interest of the Debtor's bankruptcy estate; (h) the successful  
2 bidder is not an insider of the Debtor, the Purchase Agreement was negotiated and  
3 entered into in good faith; (i) the Successful Bidder is a good faith purchaser for  
4 purposes of Bankruptcy Code Section 363(m); and good cause appearing, it is  
5 hereby

6 **ORDERED** that the Sale Motion is granted as follows:

7 1. The Debtor is authorized to sell the Assets to the Successful Bidder, or  
8 its assignee (the "Buyer"), for a total purchase price consisting of \$950,000 cash  
9 due at Closing and an additional \$150,000 in consideration to be paid in the form  
10 of One Percent (1%) royalty on Net Sales, paid on a semi-annual basis. The term  
11 Net Sales is defined as gross products sales, less returns, trade allowance and price  
12 allowances as reports in the Buyer's financial statements. The Buyer shall provide  
13 the Debtor with audited annual financial statements.

14 2. The sale of the Assets shall be on the terms and conditions as set  
15 forth in the Purchase Agreement, a copy of which is attached hereto as  
16 **Exhibit "A"**.

17 3. The timing for payment of the purchase price for the Assets shall  
18 made in accordance with the provisions of the Purchase Agreement.

19 4. The sale of the Assets shall be free and clear of all liens. Any liens  
20 not released prior to the close of the sale or satisfied through the sale shall attach  
21 to the proceeds of sale with the same validity and priority as such liens attached to  
22 the Assets prior to the sale, pending further order of the Court. Without limiting  
23 the foregoing, the following liens of record shall be treated as follows:

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<u>Creditor</u>	<u>Description of Claim</u>	<u>Treatment</u>
County of Orange Tax Collector	County Tax Lien, recorded 11/6/00, Instrument No. 2000602985  County Tax Lien, recorded 11/6/00, Instrument No. 2000602984	The Assets shall be sold free and clear of these liens, with such liens to attach to the proceeds of the sale in the same validity and priority as prior to the commencement of the Debtor's bankruptcy case pending further Court order, confirmation of a plan of reorganization or agreement between the Debtor and the County of Orange Tax Collector.
TED Investments LLC, et al.	convertible debenture Judgment Lien recorded 5/14/01, Instrument No. 0113760607	The Assets shall be sold free and clear of this Judgment Lien pursuant to the terms and conditions as set forth in the Stipulation Between The Debtor And Ted Investments LLC For Release Of Judgment Liens And Waiver Of Secured Claim Status, an unexecuted copy of which is attached hereto as Exhibit "B".



Creditor	Description of Claim	Treatment
The Aqua Group LLC	UCC-1 Financing Statement Blanket Lien Incurred 6/7/01 UCC-1 filed on June 12, 2001	Pursuant to prior agreement with The Aqua Group LLC, from the proceeds of the sale, the Debtor shall pay The Aqua Group LLC the total amount of \$690,000 in full and complete satisfactions of its lien. Thus, the Assets shall be sold free and clear of any and all liens and encumbrances in favor of The Aqua Group LLC

5. Within ten (10) days following the closing of the sale of the Assets, a copy of the closing statement shall be provided to the Office of the United States Trustee.

6. To the extent they are not specifically assumed by the Debtor and assigned to the Buyer pursuant to the Purchase Agreement, any and all executory contracts and/or leases associated with the Debtor's bankruptcy estate are hereby deemed rejected as of the date of entry of this Order. Attached hereto as Exhibit "C" is the notice from the Buyer regarding the executory contracts and/or leases that the Buyer has notified the Debtor it will not be assuming and are accordingly hereby rejected effective as of the date of entry of this Order. Any and all claims arising from the rejection of these executory contracts and/or leases shall be filed within thirty (30) days of the date of entry of this Order.

7. While the Debtor's current work in process contracts with its customers are not specifically listed in the Sale Motion, pursuant to the Agreement, the Buyer shall assume any and all obligations and liability of the Debtor related to work in process contracts as well as any and all other contracts and/or executory contracts to be assumed by the Buyer as set forth in the Agreement.

1 8. Notwithstanding paragraph 6 of this Order, Marla Resources, Inc., has  
2 made a valid election to retain its rights under 11 U.S.C. Section 365(n). Pursuant  
3 thereto, Marla Resources, Inc. shall continue to have the right to exploit the  
4 Debtor's technology in Canada as provided under its license agreement with the  
5 Debtor notwithstanding the sale of assets to the Buyer.

6 9. The Debtor is authorized to sign any and all documents necessary or  
7 convenient to effectuate the sale of the Assets pursuant to the terms and  
8 conditions of the Purchase Agreement, including but not limited to, a Purchase  
9 Agreement in substantially the form attached hereto as Exhibit "A".

10  
11  
12 JOHN E. RYAN

13 Dated:

APR 1 2002

JOHN E. RYAN  
UNITED STATES BANKRUPTCY JUDGE