

Form PTO-1595 (Rev. 07/05)  
OMB No. 0651-0027 (exp. 6/30/2008)

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

## RECORDATION FORM COVER SHEET PATENTS ONLY

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)**

EcoTechnology, Inc.

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

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

Execution Date(s) April 16, 1998

- ☐ Assignment
 ☐ Merger  
☒ Security Agreement
 ☐ Change of Name  
☐ Joint Research Agreement  
☐ Government Interest Assignment  
☐ Executive Order 9424, Confirmatory License  
☒ Other Loan and Security Agreement

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

Name: Philadelphia Commercial Development Corporation

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

Street Address: 1315 Walnut Street, Suite 600

City: Philadelphia

State: PA

Country: United States Zip: 19107

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)

6,256,902

Additional numbers attached? ☐ Yes ☒ No

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

Name: John A. Cullis

Internal Address: Neal, Gerber & Eisenberg LLP

Street Address: Two North LaSalle Street

City: Chicago

State: IL Zip: 60602

Phone Number: 312-269-8000

Fax Number: 312-269-1747

Email Address: jcullis@ngelaw.com

**6. Total number of applications and patents involved: 1****7. Total fee (37 CFR 1.21(h) & 3.41) \$ 40**

- ☐ 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 502261

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

**9. Signature:**

  
Signature

5/15/06

Date

John A. Cullis

Name of Person Signing

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

11

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to:  
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O.Box 1450, Alexandria, V.A. 22313-1450

**PATENT**

**REEL: 017626 FRAME: 0164**

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**LOAN AND SECURITY AGREEMENT**

*AGREEMENT* made this 16<sup>th</sup> day of April, 1996, by and between *PHILADELPHIA COMMERCIAL DEVELOPMENT CORPORATION*, a Pennsylvania not-for-profit corporation, Suite 600, 1315 Walnut Street, Philadelphia, Pennsylvania 19107 (*Lender*) and Ecotechnology, Inc., a Delaware corporation with its principal place of business and chief executive office at 6355 Riverside Blvd., Suite 2L, Sacramento, CA 95831 (*Borrower*).

*WHEREAS*, the *Borrower* is engaged in the business of developing a pneumatic convection dryer system for municipal sludge at the City of Philadelphia's waste water treatment facility; and

*WHEREAS*, *Borrower* has applied to *Lender* for a loan of *One Hundred Thousand (\$100,000.00)* Dollars; and

*WHEREAS*, *Lender* has approved the aforesaid loan application subject to the following terms and conditions set forth hereafter and subject further to the terms of *Lender's* commitment letter a copy of which is attached hereto as *Exhibit "A"*, the terms of which are incorporated herein by reference.

*NOW, THEREFORE*, in consideration of the mutual covenants contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

1. *Borrower* shall use all funds disbursed under the agreement for setting up a demonstration facility for its pneumatic convection sludge dryer system at Philadelphia's waste water treatment facility and for no other purpose.

2. *Borrower* shall operate a full-time sludge drying operation to be open during normal business hours at least seven (7) days per week.

3. *Lender* agrees to lend to *Borrower* and *Borrower* agrees to borrow from *Lender* an amount not in excess of *One Hundred Thousand (\$100,000.00)* Dollars upon the following terms and conditions:

(a) All funds shall be disbursed by *Lender* only on account of the purposes listed in Paragraph 1 hereof.

(b) *Lender* reserves the right, at its sole discretion, to make disbursement by checks jointly payable to *Borrower* and another party or parties on account of purchases in furtherance of a purpose listed in Paragraph 1 hereof.

(c) All sums disbursed by *Lender* shall bear interest at the rate of interest specified in *Borrower's* promissory note of even date herewith. Except as provided in Section 9(d) hereof, after the occurrence of an Event of Default, in consideration, *inter alia*, of the increased administration required of the lender in monitoring and administering the Loans, the outstanding principal amount of the Loans shall bear interest for each day until paid (before and after judgment) at a rate per annum (based on a year of 360 days and actual days elapsed) which shall be equal to seven percent (7%) in excess of First Fidelity Bank, N.A.'s base rate of interest. Such interest rate to change automatically from time to time effective as of the effective date of each change in the said base rate.

(d) To secure the repayment of all sums advanced by *Lender*, *Borrower* agrees to execute and deliver to *Lender*, its promissory judgment note, financing statements, and mortgage, indemnity and suretyship agreement, landlord's waivers, and assignment of life insurance and any other documents which may be reasonably requested by *Lender*. All documents submitted shall be in form and content acceptable to *Lender*.

4. *Borrower* hereby grants to *Lender* a security interest in all machinery and equipment, furniture and fixtures, inventory, accounts receivable, contract rights, and general intangibles now owned and to be acquired and all proceeds thereof.

5. Without consent of *Lender*, and while any sum remains unpaid, *Borrower* will not in the operation of its business incur any other indebtedness for borrowed money, or mortgage, assign, hypothecate or encumber any of the assets of said business, and will not sell, transfer, lease, or otherwise dispose of any of its assets without *Lender's* prior written approval.

6. *Borrower's Application Incorporated by Reference*

All applications, information, data, documents and other materials submitted by *Borrower* or on behalf of *Borrower* to *Lender* in connection with this transaction are incorporated herein by reference. *Borrower* represents and warrants that information so provided is true and correct. *Borrower* acknowledges its knowledge and intention that *Lender* has relied and will rely thereon in making this Agreement, in borrowing money from the sources listed below for the benefit of *Borrower*, in disbursing funds to *Borrower* and to any other person or party in accordance with the terms of this Agreement.

7. *Warrants and Covenants*

*Borrower* warrants, covenants and agrees:

(a) *Title* - *Borrower* has full fee simple title to the collateral free from any lien security interest, encumbrance, or claim, except as set forth in *Lender's* commitment letter, and the *Borrower* shall be liable to *Lender* for all *Lender's* cost and expense, including attorney's fees, which *Lender* may incur in defending any action which may affect *Lender's* lien or security interest in the collateral.

(b) *The Sale, Lease or Disposition of Collateral* - Except for sales of inventory in the ordinary course of *Borrower's* business, *Borrower* will not, without written consent of *Lender*, sell, contract to sell, lease encumber, or dispose of the collateral or any interest therein until this Agreement and all debts secured thereby have been fully satisfied. The *Lender* will have the right to examine and inspect the collateral at any reasonable time.

(c) *Protection of Collateral* - The *Borrower* will keep the collateral in good working order and repair and will not waste or destroy the collateral or any part thereof. *Borrower* will not use the collateral in violation of any statute or ordinance and the *Lender* will have the right to examine and inspect the collateral at any reasonable time.

(d) *Taxes* - *Borrower* will pay promptly when due all taxes and assessments on the collateral or for its use and operation.

(e) *Location and Identification* - *Borrower* will keep the collateral separate and identifiable at the address shown above and will not remove the collateral from said address without *Lender's* written consent.

(f) *Additional Security Interest* - *Borrower* hereby grants to the *Lender* a security interest in and to all proceeds, increases, substitutions, replacements, additions, and accessions to the collateral. This provision shall not be construed to mean the *Borrower* is authorized to sell, lease, or dispose of the collateral without the written consent of *Lender*.

(g) *Decrease in Value of Collateral* - *Borrower* shall, if in the *Lender's* judgment, the collateral has materially decreased in value, or if the *Lender* shall at any time deem that *Lender* is insecure, either provide enough additional collateral to satisfy the *Lender* or reduce the total indebtedness by the amount sufficient to satisfy the *Lender*.

(h) Reimbursement of Expenses - At the option of *Lender*, the *Lender* may discharge taxes, liens, interests, or perform or cause to be performed for or on behalf of *Borrower* any action and condition, obligation, or covenant which the *Borrower* has failed or refused to perform and may pay for the repair, maintenance and preservation of the collateral, and all sums so expended including but not limited to attorney's fees, court costs, agent's fees, or commissions, or any costs or expenses and said costs and expenses shall be added to the principal due under the Note and shall bear interest from the date of payment at the rate of interest set forth in the Note secured by this Agreement.

(i) Change of Residence or Place of Business - *Borrower* shall not change residence, chief place of business, or place where records concerning accounts and other contract rights are kept without the prior written consent of *Lender*.

(j) Attorney-in-Fact - *Borrower* hereby irrevocably appoints *Lender* as the *Borrower's* Attorney-in-Fact to do any and every act which the *Borrower* is obligated by this Agreement to do and to exercise all rights of the *Borrower* in the collateral and to make collections and to execute any and all papers and instruments and to do all things necessary to preserve and protect the collateral and to make collections and to protect the *Lender's* security interest in said collateral.

(k) Change of Circumstances - *Borrower* covenants that there are no material changes in its condition or in the circumstances of this transaction from the time of application to the time of signing of this Agreement and there will be no material changes to the time of closing.

(l) Use of Proceeds - *Borrower* covenants that the proceeds of this loan will be used in solely for the purposes set forth in Paragraph 1 above.

(m) Related Agreements - *Borrower* covenants to comply with all of its agreements pursuant to this Agreement and all notes, mortgages, and security interests created thereby.

(n) Compliance With Federal, State and Local Laws - The parties agree that this Agreement and the transaction governed by it shall comply with federal, state and local laws in all respects and that, if any additional terms, conditions, documents or actions are required by either party in order to bring the transaction into compliance with the applicable laws, this Agreement shall be deemed amended to require and include such documentation or action.

(o) Management and Technical Analysis - *Borrower* shall accept management and technical analysis from *Lender* and shall furnish to *Lender* such information and documents as may be required by *Lender* in rendering such analysis, including without limitation quarterly financial statements to include a current profit and loss statement and a current balance sheet. Financial statements shall be provided to *Lender* not more than forty-five (45) days following the end of each calendar quarter.

(p) Distribution and Compensation - *Borrower* will not, without the prior written consent of *Lender* (i) if *Borrower* is a corporation, declare or pay any dividend or make any distribution upon its capital stock, or purchase or retire any of its capital stock, or consolidate, or merge with any other company, or give any preferential treatment, make any advance, directly or indirectly, by way of loan, gift, bonus, or otherwise, to any company directly or indirectly controlling or affiliated with or controlled by *Borrower*, or any director, officer, or employee of *Borrower*; (ii) increase the compensation of any person above the respective amounts shown for such person in the following paragraph hereof, or create any new position for any such person; provided that *Borrower* may fill, through promotion, new employment or otherwise, a vacancy in any of the offices or positions shown in said paragraph at not more than the rate of compensation for such office or position set forth therein. If any company directly or indirectly controlling, affiliated with, or controlled by *Borrower* shall increase the compensation paid by it to any person so that the aggregate amount payable to such person

from all such sources exceeds the respective amount shown in said paragraph the compensation payable to such person by *Borrower* will be forthwith correspondingly reduced and immediate notice thereof given to *Lender* by *Borrower*.

(q) Compensation - *Borrower* will limit the total annual compensation (including salaries, withdrawals, fees, bonuses, commissions, drawing accounts and other payments whether direct or indirect, in money, or otherwise) of all officers, stockholders, directors, partners, proprietors or others named herein to the following named persons in the amount set opposite each respective name:

<u>NAME</u>	<u>POSITION</u>	<u>SALARY</u>
Not Applicable		

(r) *Borrower* acknowledges that *PCDC* is involved in assisting the economic development of the City of Philadelphia. As a material inducement for *PCDC*'s making this loan, *Borrower* covenants that it shall, so long as there remains due and owing any sums to *PCDC*, continue to operate a sludge drying facility at the City of Philadelphia's waste water treatment facility.

(s) *Borrower* shall use its best efforts to create at least Ten (10) full time permanent job(s) during the first 24 months following loan settlement, the majority of which shall be available to low and moderate income residents of Philadelphia. Jobs shall be considered available to low and moderate income persons based on the following factors:

- (1) The nature and extent of the skills, education, and experience required to qualify for the job;
- (2) Training opportunities which would make such jobs available to low and moderate income persons who would not otherwise qualify;
- (3) Advertising and recruiting efforts directed towards low and moderate income persons;
- (4) The accessibility of the jobs to areas where substantial numbers of low and moderate income persons reside.
- (5) Low and moderate income persons shall mean persons meeting the following income limits:

<i>FAMILY OF:</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
Moderate Income	23,050	26,350	29,650	32,950	35,600	38,250	40,850	43,500
Low Income	14,400	16,500	18,550	20,600	22,250	23,900	25,550	27,200

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*Borrower* shall so long as there remains any sum due and owing to *Lender*, report annually to *Lender* the name, address, salary, race, sex, job title and prior employment of all employees of *Borrower*. *Borrower* agrees to use his best efforts to fill such positions with Philadelphia residents, preferably from the community immediately surrounding *Borrower's* place of business. In order to further this goal, *Borrower* agrees to give prompt notice to the Private Industry Council (PIC) at Suite 1300, 1617 Kennedy Boulevard, Philadelphia, PA 19103 of any and all employment openings, together with a description of all such positions sought to be filled. *Borrower* agrees to cooperate with representative of PIC in their efforts to screen, recruit, and refer appropriate candidates for employment. *Borrower* agrees to cooperate with PIC and *Lender* in their efforts to verify *Borrower's* compliance with its obligations.

(t) "Section 3" Compliance in the Provision of Training, Employment and Business Opportunities - This Agreement is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 USC 1701u), as amended, the HUD regulations issued pursuant thereto as 24 CFR Part 135, and any applicable rules and orders of HUD issued thereunder.

The *Borrower* shall cause or require to be inserted in full in all contracts and subcontracts for work financed in whole or in part with assistance provided under this Agreement, the Section 3 clause set forth in 24 CFR 135.20 (b).

The *Borrower* shall provide such copies of CFR Part 135 as may be necessary for the information of parties to contracts required to contain the Section 3 clause.

(u) Davis Bacon Act - Except with respect to the rehabilitation of residential property designed for residential use for less than eight families, the *Borrower* and all contractors engaged under contracts in excess of \$2,000.00 for the construction, prosecution, completion or repair of any building or work financed in whole or in part with assistance provided under this Agreement, shall comply with HUD requirements pertaining to such contract and the applicable requirements of the regulations of the Department of Labor under 29 CFR Parts 3, and 5, governing the payment of wages and a copy of which is attached hereto as *Exhibit "B"* and incorporated herein.

No award of any contract covered under this section of the Agreement shall be made to any contractor who is at the time ineligible under the provisions of any applicable regulations of the Department of Labor to receive an award of such contract.

(v) Contract work Hours and Safety Standards Act - All laborers and mechanics employed by *Borrower* and all contractors financed in whole or in part with the assistance provided under this Agreement for construction work in excess of \$2,000.00 and other work in excess of \$2,000.00 which involve the employment of mechanics or laborers shall receive overtime compensation in accordance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 USC 327-330) as supplemented by Department of Labor regulations (29 CFR Part 5). These requirements shall apply to the rehabilitation of residential property only if such property is designed for residential use of eight or more families. The *Borrower* shall cause or require to be inserted in all such subcontracts subject to the provisions of the Contract Work Hours and Safety Standards Act a clause requiring compliance with Sections 103 and 107 of the Act and the regulations at 29 CFR Part 5.

(w) Use of Debarred, suspended, or Ineligible Contractors or Subrecipient - Loan funds shall not be used directly or indirectly to employ, award contracts to, or otherwise engage in services of, or fund any contractor or subrecipient during any period of debarment, suspension, or

placement in ineligibility status under the provisions of CFR Part 24. "Subrecipients" are either eligible entities under 570.204 (a) (2) or private entities assisted under 570.202 (c) (2).

(x) Copeland Anti-Kickback Act - *Borrower* shall comply with the applicable regulations of the Secretary of Labor, United States Department of Labor, made pursuant to the "Anti-Kickback Act" of June 13, 1934 (48 Stat. 948; 62 Stat. 862; Title U.S.C., Section 874; and Title 40 U.S.C., Section 276c), and any amendments or modifications thereof, shall cause appropriate provisions to be inserted in subcontracts subject thereto, and shall be responsible for the submission of affidavits required by subcontractors thereunder, except as said Secretary of Labor may specifically provide for from the requirements thereof.

(y) *Borrower's* business operations are now and shall remain continually in compliance with all federal, state, and local environmental laws and regulations, and *Borrower* will not store, use, or dispose of any hazardous wastes or toxic substances on any of its property or in any of *Borrower's* business operations.

(z) *Borrower* shall notify *Lender* in writing of any pending or threatened environmental enforcement actions no later than five (5) days following *Borrower's* notice or knowledge of any such pending or threatened actions.

(aa) Insurance - *Borrower* shall, at all times, provide, maintain and keep in force or cause to be provided, maintained and kept in force the following policies of insurance with respect to all real and personal property pledged as Security for this Loan (*hereinafter* "Mortgaged Property") and with respect to all of *Borrower's* business operations whether or not carried out at a Mortgaged Property:

(i) Insurance against loss or damage to the Mortgaged Property by fire and any of the risks covered by insurance of the type known as "fire and extended coverage" in an amount not less than the full insurable replacement value of the Mortgaged Property but without co-insurance, and the policies of insurance carried in accordance herewith shall contain a "Replacement Cost Endorsement";

(ii) During the course of any construction or repair of any improvements on the Mortgaged Property, builder's completed value risk insurance against "all risks of physical loss," including collapse and transit coverage, during construction of such improvements, with deductibles not to exceed One Thousand (\$1,000.00) Dollars, in non-reporting form, covering the total value of work performed and equipment, supplies and materials furnished. Such policy of insurance shall contain the "permission to occupy upon completion of work or occupancy" endorsement;

(iii) Boiler and machinery insurance covering pressure vessels, air tanks, boilers, machinery, pressure piping, heating, air-conditioning and elevator equipment and escalator equipment, provided the Mortgaged Property or such other property includes equipment or such nature, and insurance against loss of occupancy or use arising from any such breakdown, in such amounts as are reasonable satisfactory to Mortgagee;

(iv) Coverage against sprinkler leakage;

(v) Vandalism and malicious mischief insurance;

(vi) Worker's compensation insurance (*including employer's liability insurance*) for all employees of *Borrower* in such amount as is reasonably satisfactory to *Lender*, or, if such limits are established by law, in such amounts;

(vii) Business interruption insurance and/or "loss of rental value" insurance as appropriate to provide for continuation of income for a period of 12 months in an amount acceptable to *Lender*;

(viii) Such other insurance, and in such amounts, as may from time to time be required by *Lender*.

(bb) All policies for insurance carried with respect to any Mortgaged Property including policies for any amounts carried in excess of the required minimum and policies not specifically required by *Lender*, shall be in form and with companies satisfactory to *Lender*, shall be maintained in full force and effect, shall be assigned and delivered to *Lender*, with premiums kept current, as additional security for the indebtedness secured hereby, and all such policies shall be endorsed with a standard mortgagee payable clause in favor of *Lender*. All such policies shall not be subject to contribution, and shall provide for at least thirty (30) days notice of cancellation to *Lender*. Certificates of insurance, addressed to *Lender*, evidencing such insurance coverage, may be delivered to *Lender* in lieu of the policies therefore, provided *Borrower* shall make available to *Lender* copies of such policies. If the insurance, or any part thereof, shall expire, or be withdrawn, or become void or voidable by reason of any breach of any condition thereof, or become void or, in the reasonable judgment of *Lender*, unsatisfactory to *Lender* for any reason whatever, *Borrower* shall place or cause to be placed new insurance on the Mortgaged Property, satisfactory to *Lender*. Certificates evidencing all renewal policies (*containing standard mortgage payable clauses in favor of the Lender*) shall be delivered to *Lender* at least thirty (30) days before expiration of the old policies. In the event of any loss, *Borrower* will give immediate notice thereof to *Lender*, and *Lender* may make proof of loss if not made or caused to be made promptly by *Borrower*. Each insurance company concerned is hereby authorized and directed to make payment under such insurance including return of unearned premiums, directly to *Lender* instead of to *Borrower* and *Lender* jointly, and *Borrower* appoints *Lender*, irrevocably, as *Borrower's* attorney-in-fact to endorse any draft therefore.

(cc) *Lender* shall have the absolute right to retain and apply the proceeds of any insurance, at its sole election, toward reduction of the indebtedness secured hereby or to require *Borrower* to restore or repair the damaged property according to the plans or specifications approved by *Lender*. In the latter case, *Lender* shall make available to *Borrower* so much of the proceeds of any such insurance as shall be necessary to restore or repair the damaged property in accordance with those plans and specifications; any balance of such proceeds shall be retained by *Lender* for application toward reduction of the indebtedness secured hereby, but if the entire proceeds are not sufficient to cause the restoration or repair in accordance with those plans and specifications, *Borrower* shall deposit with *Lender*, prior to the commencement of the restoration or repair, the amount required to enable full payment to be made of the cost of the restoration or repair.

(dd) With respect to the proceeds of any business interruption insurance carried with respect to the Mortgaged Property, *Lender* may retain and apply such proceeds to reduce the indebtedness hereby secured on a month to month basis as the monthly payments of principal and interest fall due. If *Lender* receives proceeds of business interruption insurance in excess of those to be applied for the current month, *Lender* may retain such additional proceeds in escrow, for the account of *Borrower*, and so apply such proceeds on a monthly basis. However, any such proceeds not needed to be applied to keep *Borrower* current and not in default during the reasonably estimated period of time when the revenues from the operation of the *Borrower's* business will be inadequate to provide *Borrower* with sufficient funds with which to pay *Lender* the amounts falling due each month, shall be paid over to *Borrower*.

(ee) Such policies of insurance and all renewals thereof are hereby assigned to *Lender* as additional security for payment of the indebtedness hereby secured, and *Borrower* hereby agrees that any values available thereunder upon cancellation or termination of any of said policies or

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renewals, whether in form of return of premiums or otherwise, shall be payable to *Lender* as assignee thereof. If *Lender* becomes the owner of the Mortgaged Property or any part thereof by foreclosure or otherwise, such policies, including all right, title and interest of *Borrower* thereunder, shall become the absolute property of *Lender*.

8. Events of Default

The *Borrower* shall be in default under this Agreement on the happening of any of the following events or conditions:

- (a) A default by *Borrower* of the terms and conditions of the Loan; or
- (b) Failure of *Borrower* to make any payment of principal or interest in accordance with the terms of the Promissory Judgment Note or the failure of *Borrower* to comply with any term or condition contained in said Note; or
- (c) Failure of *Borrower* to comply with any term of this Agreement; or
- (d) If any warranty, representation, or statement made or furnished to *Lender* by or on behalf of *Borrower* proves to have been false in any material respect when made or furnished; or
- (e) The loss, theft, substantial damage, destruction, sale or encumbrance to or of any of the collateral, or the making of any levy, seizure, or attachment thereof or thereon; or
- (f) The making of *Borrower* of any assignment for the benefit of creditors or the filing by *Borrower* of any petition under federal or state bankruptcy, insolvency or similar laws if the same shall not have been dismissed or stayed within thirty (30) days after such filing; or
- (g) The adjudication of *Borrower* as a bankrupt; or
- (h) The discontinuance by *Borrower* of business operations; or
- (i) The acceleration of the principal amount of any indebtedness of *Borrower* by the holder of such indebtedness; or
- (j) The institution by any creditor of proceedings in connection with the enforcement of any judgment lien or other lien on any collateral which secures payment of the liabilities created hereunder; or
- (k) If at any time *Lender* believes that the prospect of payment of any indebtedness secured by this Agreement or the performance of this Agreement is impaired; or
- (l) The failure of the present officers, directors and shareholders of *Borrower* to remain the sole officers and directors and shareholders of *Borrower*; or
- (m) If *Borrower* changes the location of its principal place of business or chief executive office without *Lender's* prior written consent; or
- (n) The commencement of any environmental enforcement action against *Borrower*, any of *Borrower's* property, or any property of any guarantor of *Borrower's* indebtedness, or the discovery of any violation of any federal, state, or local environmental laws and regulations arising out of *Borrower's* business operations; or
- (o) The use, storage, or disposal of any hazardous wastes or toxic substance on any property of *Borrower* or of any guarantor of *Borrower's* indebtedness, or on any property where *Borrower* performs any business activity; or
- (p) The discontinuance by *Borrower* of its sludge drying operation at the City of Philadelphia's waste water treatment facility.

9. Rights Upon Default

Upon the occurrence of any event of default specified in Section 8 hereof, *Lender* may, at its option, exercise any or all of the following rights:

- (a) *Lender* may exercise any and all rights granted to it upon default in the Note.

(b) *Lender* may exercise any and all rights granted to a secured party upon default under the Pennsylvania Uniform Commercial Code with respect to the collateral given to secure obligations created pursuant to this Agreement and *Lender* may require *Borrower* to assemble such collateral and make it available to *Lender* at a place to be designated by *Lender* which is reasonably convenient to *Lender* and *Borrower*. The parties hereby agree that a notice sent to *Borrower* at least ten (10) days before the time of any public sale of the collateral or the time after which any private sale thereof may be made shall be deemed to be commercially reasonable notice of such sale. The proceeds of any sale of the collateral shall first be applied to *Lender's* reasonable expenses of retaking, holding, preparing for sale, selling, and the like and to reasonable attorney's fees and legal expenses incurred by *Lender* in connection therewith, and the balance shall be applied on account of the obligations created pursuant to this Agreement. Should *Borrower* fail to assemble and make available to *Lender* the collateral, as set forth herein, *Lender* shall have the right to remove the collateral from the premises of the *Borrower*, and for purposes of removal and possession, *Lender* or its representative may enter any premises of the *Borrower* without legal process and the *Borrower* hereby waives and releases the *Lender* of and from any and all claims in connection therewith or arising therefrom.

(c) In addition to the foregoing, *Lender* shall have and may exercise, any and all other legal and equitable remedies which it may be entitled to take upon the occurrence of event of default and shall have the right to collect from *Borrower* all sums which *Lender* is obligated to pay any person or party, including costs and attorney's fees caused by or arising from *Borrower's* default.

10. Miscellaneous Provisions

(a) In performing any act under this Agreement and the Note thereby, time shall be of the essence. The *Lender's* acceptance of partial or delinquent payments, or the failure of the *Lender* to exercise any right or remedy shall not be a waiver of any obligation of the *Borrower* or right of the *Lender* or constitute a waiver of any other similar default subsequently occurring.

(b) Any notice permitted or required shall be sent to the parties by Certified Mail, Return Receipt Requested, postage prepaid, at the address listed below:

*Lender:* Curtis Jones, Jr.  
President/CEO  
Philadelphia Commercial Development Corporation  
Suite 600  
1315 Walnut Street  
Philadelphia, PA 19107

*with a copy to:* Franklin M. Cohen, Esquire  
Philadelphia Commercial Development Corporation  
Suite 600  
1315 Walnut Street  
Philadelphia, PA 19107

*Borrower:* Ecotechnology, Inc.  
6355 Riverside Blvd., Suite 2L  
Sacramento, CA 95831

(c) This Agreement shall be binding upon and inure to the benefit of the parties, their respective successors, assigns, heirs and personal representatives, except that *Borrower* may not assign its rights or obligations hereunder without the prior written consent of *Lender*.

(d) Except for materials incorporated in this Agreement by reference, this Agreement is intended to be a complete and integrated document which contains all of the terms and conditions agreed to by the parties. Any amendment to this Agreement must be made in writing, signed by or on behalf of all parties.

(e) In any case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

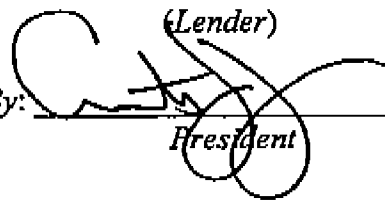
(f) This Agreement shall be construed under and in accordance with the Pennsylvania Uniform Commercial Code and any other applicable laws of the Commonwealth of Pennsylvania, and all obligations of the parties created hereunder are performable in Philadelphia County, Pennsylvania.

(g) All terms used herein are defined in the Uniform Commercial Code of Pennsylvania and shall have the same meaning herein as in the said Code.

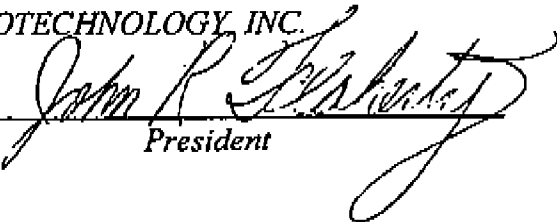
11. As part of the consideration for new value this day received, the *BORROWER* consents to the exclusive jurisdiction and venue of the federal and state courts located in Philadelphia county, Pennsylvania, in any action on, relating to or mentioning this Agreement, the Notes or any of the other Loan Documents. To the extent permitted by law, the *BORROWER* waives any objection which it may have based on lack of jurisdiction or improper venue or Forum non Conveniens to the conduct of any proceeding instituted hereunder. Nothing in this Section shall affect the lender's right to bring any action or proceeding against the *BORROWER* or its property or assets in the courts of any other jurisdiction that has jurisdiction over *Borrower* or *Borrower's* properties or assets.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have executed this Loan and Security Agreement.

Attest:   
Assistant Secretary  
(CORPORATE SEAL)

PHILADELPHIA COMMERCIAL  
DEVELOPMENT CORPORATION  
(Lender)  
By:   
President

Attest:   
Secretary

ECOTECHNOLOGY, INC.  
By:   
President

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