

PATENT ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

SUBMISSION TYPE:

NEW ASSIGNMENT

NATURE OF CONVEYANCE:

SECURITY AGREEMENT

CONVEYING PARTY DATA

Name	Execution Date
GENCELL CORPORATION	01/29/2007

RECEIVING PARTY DATA

Name:	NANODYNAMICS ENERGY, INC.
Street Address:	901 Fuhrmann Blvd.
City:	Buffalo
State/Country:	NEW YORK
Postal Code:	14203

PROPERTY NUMBERS Total: 16

Property Type	Number
Application Number:	10762948
Application Number:	10310351
Application Number:	10358736
Application Number:	10716185
Application Number:	10755772
Application Number:	10345073
Application Number:	10808684
Application Number:	11354207
Application Number:	11361684
Patent Number:	6383677
Patent Number:	6855447
Patent Number:	6602626
Patent Number:	6670069
Patent Number:	6777126
Patent Number:	6772617

PATENT

500224287

REEL: 018898 FRAME: 0261

CH \$640.00 10762948

Patent Number:

6844102

CORRESPONDENCE DATA

Fax Number: (212)536-3901

Correspondence will be sent via US Mail when the fax attempt is unsuccessful.

Phone: 212 536 4867

Email: roger.pitt@klgates.com

Correspondent Name: Roger Pitt

Address Line 1: 599 Lexington Avenue

Address Line 2: K&L Gates, 33 Floor

Address Line 4: New York, NEW YORK 10022

ATTORNEY DOCKET NUMBER:

0812840.0101

NAME OF SUBMITTER:

Beata White

Total Attachments: 16

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page1.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page2.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page3.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page4.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page5.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page6.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page7.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page8.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page9.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page10.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page11.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page12.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page13.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page14.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page15.tif

source=NY-#508339-v1-GENCELL_NANODYNAMICS_Security_Agreement#page16.tif

SECURITY AGREEMENT

This SECURITY AGREEMENT, is made this 29th day of January 2007, by and between GENCELL CORPORATION a Connecticut corporation having its principal place of business at 1432 Old Waterbury Road, Southbury, Connecticut. 06488 (the "Debtor"), and NANODYNAMICS ENERGY, INC., a Delaware corporation having a place of business at 901 Fuhrmann Blvd., Buffalo, NY 14203 (the "Secured Party").

WHEREAS, the Secured Party has agreed to certain financing arrangements with the Debtor (the "Loans") and, in connection therewith, the Debtor has issued as of December 22, 2006 and January 29, 2007, and may issue in the future, its promissory notes (the "Notes") up to a maximum principal amount of \$360,000 pursuant to the terms of a Letter of Intent dated December 21, 2006 as revised on January 5, 2007 and January 29, 2007; and

WHEREAS, in order to induce the Secured Party to enter into this Security Agreement and to extend the Loans, the Debtor has agreed to grant to the Secured Party a security interest in certain Collateral of the Debtor, on such terms and subject to the conditions as more fully specified herein.

NOW, THEREFORE, in consideration of the premises and the agreements contained herein, the parties hereby agree as follows:

1. **Grant of Security Interest.** The Debtor hereby grants to the Secured Party a present and continuing security interest in the Collateral to secure the Debtor's payment of the Obligations to the Secured Party. This grant of security interest shall continue in effect only for so long as the Obligations remain outstanding, at which time this Security Agreement will terminate and be of no further force and effect and the security interests granted to the Secured Party hereunder released.

2. **Definitions.** For the purposes of this Security Agreement, all terms shall have the meanings assigned to them below.

(a) Unless otherwise specifically defined herein, all terms shall have the meanings set forth in the Uniform Commercial Code as adopted by the State of Connecticut in Sections 42a-9-101 et. seq. of the Connecticut General Statutes, as amended (the "UCC").

(b) The term "Collateral" shall mean: (i) all property of the Debtor listed and described on **Schedule A** attached hereto and any and all accessories and additions thereto, and any and all replacements and proceeds (including proceeds of insurance policies payable by reason of loss or damage to the foregoing) (collectively, the "Listed

Rights Collateral”); and (ii) all property of the Debtor listed and described on **Schedule B** attached hereto, and any and all replacements and proceeds (including proceeds of insurance policies payable by reason of loss or damage to the foregoing) (collectively, the “Other Collateral”).

(c) The term “**Obligations**” (when the initial letter is capitalized) means the obligation of the Debtor:

- (1) To pay to the Secured Party all amounts due to the Secured Party under the Notes, in accordance with the terms thereof; and
- (ii) To repay to the Secured Party all amounts advanced by the Secured Party hereunder or otherwise on behalf of the Debtor, including, but without limitation, advances for principal or interest payments to prior secured parties, or lienors, or for taxes, levies, insurance, rent, repairs to or maintenance or storage of any of the Collateral, or any other amounts expended in connection with any property securing all or any portion of the Obligations; and
- (iii) To reimburse the Secured Party, on demand, for all of the Secured Party’s expenses and costs, including the reasonable fees and expenses of its counsel, in connection with any amendment or modification initiated by Debtor or enforcement of this Security Agreement and the documents required hereunder, including, without limitation, any commercially reasonable action to perfect or protect the Secured Party’s interests in the Collateral, or any proceeding brought or threatened to enforce payment of any of the obligations referred to in the foregoing clauses (i), (ii) and (iii).

3. **Debtor’s Representations and Warranties.** The Debtor hereby represents and warrants that:

(a) Debtor’s exact legal name is as set forth in the first paragraph of this Security Agreement. Debtor is a corporation duly organized, validly existing and in good standing under the laws of the State of Connecticut (the “**Debtor’s State**”) and is duly qualified and in good standing in every other jurisdiction wherein such qualification is necessary; it has all requisite power and authority to transact the business that it now transacts and to own or to hold under lease the properties that it purports to own or hold; and the execution, delivery and performance of this Security Agreement and any promissory note, guaranty or agreement evidencing the Obligations or any of them has been duly authorized by all requisite shareholder or director actions; does not violate any provision of the Debtor’s Certificate of Incorporation or Bylaws, each as amended to date, or of any law, statute, ordinance or regulation binding upon the Debtor; and does not result in a breach of any terms or conditions of any other contract or agreement to which the Debtor is a party or by which it is bound or in the acceleration of any other

obligations of the Debtor. The Debtor is not organized under the laws of any jurisdiction other than the Debtor's State.

(b) All of the Collateral and all of the Debtor's books and records pertaining thereto are located and maintained at the Debtor's address set forth in the first paragraph of this Agreement.

(c) The Debtor is, as of the date of this Security Agreement, (i) the owner of all of the Listed Rights Collateral free from any liens, security interests or encumbrances except for the security interest herein granted and the security interest of Connecticut Innovations, Incorporated that does not exceed the principal sum of \$250,000, and, except for Connecticut Innovations, Incorporated, no financing statement covering any of the Listed Rights Collateral or any proceeding thereof is on file in any public office; and (ii) the owner of all of the Other Collateral free from any liens, security interests or encumbrances, except for the security interest granted herein and the security interest of Connecticut Innovations, Incorporated that does not exceed the principal sum of \$250,000 and, except for Connecticut Innovations, Incorporated, no financing statement covering any of the Other Collateral or any proceeds thereof is on file in any public office.

(d) If any part of the Collateral has been or will be attached to real estate, such real estate is located at the Debtor's address set forth in the first paragraph of this Agreement.

(e) The execution and delivery of this Agreement, and the performance of its terms, will not violate or constitute a default under the terms of any agreement, indenture, or other instrument, license, judgment; decree, order, law, statute, ordinance, or other governmental rule or regulation, applicable to the Debtor or any of its property.

(f) No person or entity has furnished services or materials with respect to the Collateral and no other event has occurred that could give rise to a security interest, lien or other encumbrance in or on the Collateral except for the security interest granted herein.

4. **Covenants of Debtor**. The Debtor hereby agrees and covenants that:

(a) The Debtor will defend the Collateral against all claims and demands of all persons, it will keep the Collateral free from any lien, security interest or encumbrance, except for the security interest granted to the Secured Party herein, and except for any security interest in the Other Collateral described in Schedule C hereto and in good order and repair, and it will not waste or destroy the Collateral or any part thereof, nor will it in any manner sell, transfer or encumber the Collateral except in the ordinary course of the Debtor's business without the prior written consent of the Secured Party.

(b) The Debtor will execute and deliver to the Secured Party, at such times and in such form and containing such terms as Secured Party may require, evidences of all or any part of the Obligations and such certificates of title and other instruments as the Secured Party may commercially reasonably deem necessary or desirable to protect, perfect and preserve the security interest in the Collateral created herein. The Debtor will pay all costs incurred by the Secured Party in connection with the perfection, continued protection, and preservation of its

interest in the Collateral. Furthermore, the Debtor irrevocably appoints the Secured Party attorney-in-fact, and empowers the Secured Party, to make, execute and deliver any of the instruments or documents provided for in this Security Agreement in its name and on its behalf

(c) The Debtor shall be responsible for all risk of loss or of damage to the Collateral and it will have and maintain insurance at all times with respect to the Collateral against risks of fire (including so-called extended coverage), theft and such other risks as the Secured Party may require; and, in addition, in the case of motor vehicles, so-called collision coverage, all such insurance to be written by such companies, on such terms, in such form and for such periods and amounts as may be satisfactory to the Secured Party. All policies of insurance shall provide for at least thirty (30) days' written cancellation notice to the Secured Party.

(d) The Debtor will, if any part of the Collateral is a fixture, on demand of the Secured Party, furnish the Secured Party with a disclaimer or disclaimers, signed by all persons having an interest in the real estate, of any interest in the Collateral that is prior to the Secured Party's interest (other than any security interest described in Schedule C). The Debtor, in addition, will notify the Secured Party in writing of any intended sale, mortgage or other conveyance of such real estate and will give written notice of the terms and conditions of this Security Agreement to any prospective purchaser, mortgagee or grantee of said real estate with a copy of such notice to the Secured Party.

(e) At the request of the Secured Party, the Debtor will permit the Secured Party to inspect the Collateral, Debtor's books and records and any documents or instruments relating to the Collateral or financial position of the Debtor; *provided that* (i) Secured Party enters into a form of non-disclosure agreement for the protection of the Debtor's nonpublic, proprietary, and trade secret information that is reasonable in scope and coverage; and (ii) Secured Party shall enter the Debtor's place of business to inspect such books and records during Debtor's normal business hours on not less than 24-hours' advance notice, and not more frequently than four times within any rolling one-year period. The Debtor shall also furnish to the Secured Party copies of all records, documents and instruments that the Secured Party may reasonably request in order to maintain and protect its security interest hereunder.

(f) The Debtor will pay promptly when due all taxes and assessments upon the Collateral or upon any note or notes evidencing the Obligations.

(g) The Debtor will not use or maintain the Collateral in any manner prohibited by any terms of any insurance policies covering such Collateral, any State, federal or local law or ordinance or in any manner that may give rise to third parties' rights against the Collateral.

(h) The Debtor will not change its name without giving the Secured Party at least thirty (30) days' prior written notice in which it sets forth its new name and the date on which the new name shall first be used, nor shall Debtor change the location of its office, the location of the Collateral or the location of the records pertaining thereto without giving prior written notice to the Secured Party. Until the Obligations described in Section 2(c)(i) shall have been paid in full, the Debtor shall not amend its certificate of incorporation; become a party to any merger, consolidation or business acquisition or sale; or remove any Collateral from the location in which it is presently located without the prior written approval of the Secured Party. In addition, the Debtor shall not convert into any other entity or transfer to or domesticate in any jurisdiction

other than the Debtor's State.

(i) The Debtor will immediately deliver to the Secured Party any and all certificates of title to any Listed Rights Collateral consisting of instruments or chattel paper, and any Other Collateral consisting of instruments or chattel paper in which the Secured Party obtains a first priority security interest.

(j) From time to time, the Debtor will execute and deliver, or will cause to be executed and delivered, to the Secured Party such additional documents and will provide such additional information as the Secured Party may reasonably request to carry out the terms hereof. Throughout the term of this Agreement, the Debtor shall provide Secured Party with the following financial and other information within such time periods and in such form as indicted:

- (i) As soon as practicable after the end of each fiscal year of the Debtor, and in any event within one hundred twenty (120) days thereafter, an unaudited consolidated (and consolidating) balance sheet of the Debtor and each of its subsidiaries, if any, as at the end of such fiscal year, and unaudited consolidated (and consolidating) statements of income and source and application of funds of the Debtor and each of its subsidiaries, if any, for such year; prepared in accordance with generally accepted accounting principles consistently applied and setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and reviewed by independent public accountants of recognized standing selected by the Debtor and satisfactory to the Secured Party;
- (ii) As soon as practicable after the end of each quarterly accounting period in each fiscal year of the Debtor, and in any event within forty five (45) days thereafter, an unaudited consolidated (and consolidating) balance sheet of the Debtor and each of its subsidiaries, if any, as of the end of each such quarterly period, and unaudited consolidated (and consolidating) statements of income and source and application of funds of the Debtor and its subsidiaries, if any, for such period and for the current fiscal year to date, prepared in accordance with the Debtor's historical accounting principles, consistently applied, and setting forth in comparative form the figures for the corresponding periods of the previous fiscal year, subject to changes resulting from year-end audit adjustments, and setting forth any events which could reasonably be expected to have an adverse effect upon the Debtor's finances or the results of its operations, all in reasonable detail and certified by the principal financial or accounting officer of the Debtor;
- (iii) Each set of financial statements delivered to the Secured Party pursuant to Section 4(j)(i) or (ii) above will be accompanied by a certificate of the Chairman, President or a Vice President and the Treasurer or an Assistant Treasurer of the Company, certifying that such financial statements are true, complete and correct;
- (iv) Prior to the execution and delivery of this Security Agreement, the Debtor will deliver to the Secured Party an in-house monthly budget forecast and use of process statement

showing how the proceeds of the Note are to be expended;

- (v) As soon as it becomes available, information and data on any material adverse changes in or any event or condition which materially adversely affects the business, operations or plans of the Debtor;
- (vi) Immediately upon becoming aware of any condition or event which constitutes a breach of this Security Agreement, written notice specifying the nature and period of existence thereof and what action the Debtor is taking or proposes to take with respect thereto;
- (vii) With reasonable promptness, such other information and data with respect to the Debtor and its subsidiaries, if any, as the Secured Party may from time to time reasonably request;
- (viii) Promptly upon the Debtor's becoming entitled to the benefit of any registrations, reissues, divisions, continuations, renewals, extensions and continuations-in-part of any Listed Rights (collectively, the "Additional Listed Rights"), written notice of such Additional Listed Rights, information and data pertaining thereto and any other documents the Secured Party may reasonably request;
- (ix) With respect to each fiscal year of the Debtor commencing with the fiscal year ending December 31, 2007, not later than 30 days prior to the commencement of such fiscal year, one copy of a budget and operating plan (the "Budget") of the Debtor, and any other consolidated subsidiaries (containing monthly and quarterly breakdowns) with narrative explanation for each such fiscal year. The Budget shall be accepted as the Budget for such fiscal year when it has been approved by the Board of Directors of the Debtor. The Budget shall be reviewed by the Debtor periodically and all changes therein and all material deviations therefrom shall be resubmitted to the Board in advance and shall be accepted when approved by the Board of Directors.
- (x) Promptly upon becoming available, all routinely collected financial or other information available to management (including, without limitation, routinely collected statistical data) of the Debtor or any subsidiary as the Secured Party shall have reasonably requested on a timely basis; and
- (xi) Promptly following its receipt, notice of the commencement of any action, suit, claim, legal or administrative or arbitration proceeding or investigation, any of which could reasonably be expected, on the basis of current economic conditions and other facts and circumstances known to the Debtor at the time, to have a material adverse effect on the Debtor or any subsidiary. In making such determination, the Debtor may rely on the opinion of its counsel regarding the likelihood and extent of an adverse decision in any litigation, administrative or arbitration proceeding or investigation against the Debtor.
- (k) The Debtor will hold meetings of its Board of Directors at least quarterly and will not hold any meetings of its Board of Directors on fewer than five (5) days' prior written notice and will permit the Secured Party to send a representative (without voting rights) to each meeting of the Board of Directors of the Debtor and all committees of such Board, except in emergencies, in which case the Secured Party shall receive notice no less favorable than any other outside director. The Debtor shall give the Secured Party notice of each such meeting in the form and manner such notice is given to the Debtor's directors. Any representative of Secured Party

attending a meeting of the Board of Directors shall be required in advance to execute the Debtor's standard form of Confidentiality and Non-disclosure Agreement, and to agree to be excused from all discussion involving matters determined by counsel to the Debtor to involve attorney-client privilege, and to be excused from all discussions of matters involving the Secured Party.

(l) The Debtor will not assert against the Secured Party any claim or defense that it may have against any seller of Collateral or any other person with respect to the Collateral with the exception of a claim relating to the Secured Party's title to the Collateral.

(m) The Debtor will indemnify and hold the Secured Party harmless from and against any loss, liability, damage, cost and expense whatsoever arising from the Debtor's use, operation, ownership or possession of the Collateral.

(n) The Debtor will immediately notify the Secured Party of any event causing material loss, theft, damage or destruction of the Collateral and the amount thereof.

5. **Secured Party's Rights.**

(a) The Secured Party may at any time and from time to time, at Debtor's expense, file financing statements-, continuation statements and amendments thereto that describe the Collateral as defined by **Schedule A** and **Schedule B**, or words of similar effect and that contain any other information required by the UCC for the sufficiency or filing office acceptance of any financing statement, continuation statement or amendment, including whether the Debtor is an organization, the type of organization and any tax and/or organization identification number issued to the Debtor. The Debtor agrees to furnish any such information to the Secured Party promptly upon request. Debtor specifically authorizes the Secured Party to file such financing statements, continuations, or amendments without the signature of the Debtor, and any such financing statements, continuation statements or amendments may be signed, if so required, by the Secured Party on behalf of the Debtor, and may be filed at any time in any jurisdiction as necessary. The Debtor hereby irrevocably appoints the Secured Party, through any of its chosen agents or designees, as Debtor's attorney-in-fact, coupled with an interest, solely for the limited purposes set forth in the Section 5(a).

(b) Upon the occurrence of an Event of Default as set forth in Section 7 below, the Debtor shall at any time and from time to time, at Debtor's expense, take such steps as the Secured Party may reasonably request for the Secured Party (i) to obtain an acknowledgment, in form and substance satisfactory to the Secured Party, of any bailee having possession of any of the Collateral, that the bailee holds such Collateral for the Secured Party, (ii) to obtain "control" of any Investment Property, Deposit Accounts, Letter-Of-Credit Rights or electronic Chattel Paper (as such terms are defined in the UCC), with any agreements establishing control to be in form and substance satisfactory to the Secured Party, (iii) to obtain possession of all or any portion of the Collateral in order to perfect its security interest therein in addition to the filing of a financing statement, and (iv) otherwise to insure the continued perfection and priority of the Secured Party's security interest in any of the Collateral and of the preservation of its rights therein.

(c) At any time at least 10 days after notice to Debtor, the Secured Party may at its option discharge taxes, liens or security interests or other encumbrances at any time levied against or placed on the Collateral, pay for insurance on the Collateral at levels that are at least

equal to the levels established by the policies of coverage described in Section 4(c) of this Security Agreement, unless any such taxes or liens are being contested in good faith and the Debtor has reserved adequate amounts on its books for the discharge of such taxes or liens, and the Secured Party may, at its option, pay for the maintenance, preservation and collection of the Collateral. The Debtor agrees to reimburse the Secured Party on demand for any payments made or any expenses incurred by the Secured Party pursuant to this Section, and such amounts extended pursuant to this Section 5(c) shall be added to the Obligations.

(d) If accounts are part of the Collateral, then until the occurrence of an Event of Default, the Debtor shall collect all accounts and may, in good faith, reasonably settle or compromise any thereof. At any time after the occurrence of an Event of Default that is not cured within any applicable grace period, the Secured Party may notify the Debtor's account debtors of the Secured Party's security- interest, and upon the request of the Secured Party, the Debtor will deposit with the Secured Party the proceeds of the collections of the accounts in the form received with, if the proceeds are represented by negotiable instruments, the Debtor's full unqualified endorsement. At any time after the occurrence of an event of default that is not cured within any applicable grace period, the Secured Party may notify the Debtor's account debtors of the Secured Party's security interest, and upon the request of the Secured Party, the Debtor will immediately notify such account debtors of the Secured Party's interest in any accounts in such manner and form as the Secured Party may designate and will direct the account debtors to pay such amounts directly to the Secured Party. In addition, the Secured Party may itself at any time so notify the account debtors. At its option the Secured Party may collect, bring suit, compromise or otherwise deal with any account with respect to which such notice is so given. In order to facilitate the foregoing, the Debtor covenants and agrees to execute and deliver to the Secured Party on demand a letter to the Debtor's account debtors, substantially in the form of **Schedule D** attached hereto.

6. **Debtor's Rights.** Except as provided in Section 4(i) hereof, the Debtor shall be entitled to the exclusive possession and control of the Collateral and may use and exploit the Collateral (including by way of license or sublicense with regard to the Listed Rights and the Additional Listed Rights) in any lawful manner that does not breach the terms and conditions of this Security Agreement or any other agreement between it and the Secured Party, unless or until an Event of Default as defined in Section 7 hereof shall occur. ...

7. **Events of Default.** The Debtor shall be in default under this Security Agreement upon the occurrence of any one of the following events or conditions (in each such case, an "Event of Default"):

(a) The failure of the Debtor to pay within 10 days after notice from the Secured Party that it is due, whether by acceleration or otherwise, any part of the Obligations.

(b) The default by the Debtor in the performance or observance of any other term or provision of any of the Obligations or of this Security Agreement or the occurrence of an event of default under any agreement, instrument, guaranty, mortgage, or similar document securing or relating to the Obligations that is not cured within 30 days after Secured Party's notice to Debtor of such default.

(c) The discovery that any material warranty, representation or statement made or

furnished to the Secured Party by the Debtor was false in any material respect when so made or furnished to the Secured Party,

(d) The loss, theft, substantial damage or destruction to or of the Collateral that is not covered by insurance, or the making or granting of any levy, seizure, attachment, execution or prejudgment remedy upon the Collateral or the property of the Debtor,

(e) The commencement of any bankruptcy, receivership, reorganization, insolvency or liquidation proceeding by or against the Debtor and, if such is commenced against the Debtor, such has not been dismissed within ninety (90) days,

(f) The termination of active operations of the Debtor, including the inability to pay existing rates of employment compensation to employees of the Debtor, not to include the periods of temporary shutdown of operations of the Debtor as demonstrated by its records and consistent with Debtors past practices.

(g) The occurrence of an event of default under any other agreement, instrument or document pertaining to the Obligations,

(h) The receipt by the Secured Party at any time hereafter of a report from the Connecticut Secretary of the State indicating that Secured Party's security interest in the Collateral is not prior to all security interests reflected in the report, other than (i) any security interest described on Schedule C, or (ii) any Collateral as to which the Secured Party has not otherwise subordinated its interest in the manner contemplated under Section 16 hereof,

(i) A change in control of the Debtor, or a sale or all or substantially all of the Debtor's assets, or the occurrence of a merger or consolidation of the Debtor with or into another company where the Debtor is not the surviving entity after consummation thereof.

8. **Remedies on Default.**

(a) Upon any Event of Default and upon demand by the Secured Party, the Debtor agrees immediately to assemble the Collateral and to make it available to the Secured Party at the place and time designated in the said demand. The Secured Party shall be entitled to immediate possession of the Collateral and the Secured Party may enter any premises where any Collateral may be located for the purpose of assembling or taking possession of and removing same, and or otherwise dispose of the Collateral or any part thereof, either at public or private sale acceptable to the Secured Party, all at the Secured Party's sole option and as it, in its sole discretion, may deem advisable, and the Secured Party may bid or become purchaser at any such sale, free from any right of redemption which is hereby expressly waived by the Debtor. Until sale, the Secured Party may store the Collateral on the premises where it is located when seized, and if said premises are the property of the Debtor, the Debtor agrees not to charge the Secured Party for storage thereof for a period of ninety (90) days before or after sale or disposition of said Collateral. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold in a recognized market, the Secured Party will give the Debtor reasonable notice of time and place of any public sale or the time after which any private sale or other intended disposition will be made. The requirement of reasonable notice shall be met if such

notice is mailed to the Debtor at least five (5) days before the time of the sale or disposition. ..

(b) The net cash proceeds resulting from the collection, liquidation, sale or other disposition of the Collateral shall be applied first to the expenses (including all attorneys' fees) of preparing for sale, storing, processing, selling, collecting, and/or liquidating the Collateral and the like, and then to the satisfaction of the Obligations, application as to particular obligations or against principal or interest under the Obligations to be in the Secured Party's sole discretion. The Debtor shall be liable to the Secured Party and shall pay to the Secured Party on demand any deficiency which may remain after such sale, disposition, collection or liquidation of Collateral, and the Secured Party in turn agrees to remit to the Debtor, or other such persons as their interests may appear, any surplus remaining after all such liabilities have been paid in full.

(c) To facilitate the exercise by the Secured Party of the rights and remedies set forth in this Section 8, the Debtor hereby irrevocably appoints the Secured Party or any other person whom the Secured Party may designate, as attorney-in-fact for the Debtor, coupled with an interest, at the Debtor's expense, to exercise all or any of the foregoing powers, and other powers incidental to the foregoing, all of which, being coupled with an interest, shall be irrevocable, shall continue until all the Obligations of Debtor have been paid in full, and shall be in addition to any other rights and remedies that the Secured Party may have.

(d) In the event the Secured Party seeks to take possession of any or all collateral by court process, Debtor hereby irrevocably waives any bonds and any surety or security relating thereto required by any statute, court rule or otherwise as an incident to such possession, and waives any demand for possession prior to the commencement of any suit or action to recover with respect thereto and waives the right to demand a jury in any action in which the Secured Party is a party.

9. **Non-Waiver.** Waiver of or acquiescence in any Event of Default by the Debtor or failure of the Secured Party to insist upon strict performance by the Debtor of any warranties or agreements in this Agreement shall not constitute a waiver of any subsequent or other default or failure.

10. **Secured Party's Expenses.** Upon any Event of Default, the Secured Party's reasonable attorneys' fees and the legal and other expenses for pursuing, searching for, receiving, taking, keeping, storing, advertising and selling the Collateral, shall be chargeable to the Debtor.

11. **Other Rights.** In addition to all rights and remedies herein, upon an Event of Default, the Secured Party shall have such other rights and remedies as are set forth in the Code and the Connecticut General Statutes, as amended, which rights and remedies shall be generally available to both parties in the interpretation and enforcement of this Security Agreement.

12. **Commercial Transactions.** THE DEBTOR ACKNOWLEDGES THAT THE TRANSACTIONS TO WHICH THIS SECURITY AGREEMENT RELATES ARE COMMERCIAL TRANSACTIONS. THE DEBTOR HEREBY VOLUNTARILY AND KNOWINGLY WAIVES ITS RIGHTS TO NOTICE AND HEARING UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, AS AMENDED AND IN EFFECT ON THE DATE HEREOF, OR AS OTHERWISE ALLOWED BY ANY STATE OR FEDERAL LAW OR PROCEDURAL RULE WITH RESPECT TO ANY PREJUDGMENT REMEDY OR OTHER RIGHT OR REMEDY THAT THE SECURED PARTY MAY ELECT

TO USE OF WHICH IT MAY AVAIL ITSELF. THE DEBTOR FURTHER WAIVES, TO THE GREATEST EXTENT PERMITTED BY LAW, THE BENEFITS OF ALL PRESENT AND FUTURE VALUATION, APPRAISEMENT, EXEMPTION, STAY, REDEMPTION AND MORATORIUM LAWS. THE DEBTOR FURTHER WAIVES ANY REQUIREMENT THAT THE SECURED PARTY OBTAIN A BOND OR OTHER SIMILAR DEVICE IN CONNECTION-WITH THE EXERCISE OF ANY REMEDY OR THE ENFORCEMENT OF ANY RIGHT HEREUNDER. ...

13. **Waiver of Jury Trial.** THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR UNDER ANY AGREEMENT, INSTRUMENT OR OTHER DOCUMENT CONTEMPLATED HEREBY OR RELATED HERETO AND IN ANY ACTION DIRECTLY OR INDIRECTLY RELATED TO OR CONNECTED WITH THE OBLIGATIONS OR THIS AGREEMENT, OR ANY CONDUCT RELATING TO THE ADMINISTRATION OR ENFORCEMENT OF THE OBLIGATIONS OR ARISING FROM THE DEBTOR/CREDITOR RELATIONSHIP OF THE DEBTOR AND THE SECURED PARTY. THE -DEBTOR ACKNOWLEDGES THAT THIS WAIVER MAY DEPRIVE IT OF AN IMPORTANT RIGHT AND THAT SUCH WAIVER HAS BEEN KNOWINGLY AND VOLUNTARILY MADE BY THE DEBTOR.

14. **Enforcement -by the Secured Party.** The Secured Party shall have the right at all times to enforce the provisions of this Security Agreement and all, other agreements, documents and instruments required hereunder in strict accordance with their terms, notwithstanding any conduct or custom on the part of the Secured Party in refraining from doing so at any time or times. The failure of the Secured Party at any time to enforce any rights under such provisions strictly in accordance with the same shall not be construed as having created a custom in any way or manner contrary to the specific provisions of this Security Agreement or as having in any way or manner modified or waived the same. All rights and remedies of the Secured Party are cumulative and the exercise of any one right or remedy shall not be deemed to waive or release any other right or remedy. Without limiting the generality of the foregoing, the Secured Party shall have the right to exercise any available remedy to recover any amount due and payable hereunder and the Secured Party shall have the right to foreclose any mortgage or security interest or proceed under any guaranty or other agreement pertaining to the Obligations without also being required to foreclose any other mortgage or security interest or proceed against any other guaranty or agreement and without thereby waiving or prejudicing its right to foreclose any other such mortgage or security interest or proceed under any other such guaranty or agreement or impairing any of its rights thereunder.

15. **Notices.** Any notice or consent required or permitted by this Agreement shall be in writing and shall be deemed delivered if delivered in person or if sent by facsimile transmission (with confirmation if receipt), registered mail or certified mail, postage prepaid, return receipt requested, as follows, unless such address is changed by written notice hereunder:

(a) If to the Secured Party:

NanoDynamics Energy, Inc.
901 Fuhrmann Blvd.
Buffalo, NY 14203

Attention: Its CEO
Fax: 716-853-8996

(b) If to the Debtor:

GenCell Corporation
1432 Old Waterbury Road
Southbury, Connecticut 06488
Attention: Its CEO
Fax: 203-

16. **Subordination.** The Secured Party agrees to subordinate its security interest on reasonable commercial terms in such of the Other Collateral that does not constitute Listed Rights Collateral, and execute such documents as are reasonably requested by the Debtor in connection therewith, to any bank or other institutional lender that is at arm's length and not affiliated with the Debtor or related to any shareholder of the Debtor, under lines of credit or term loans made in the ordinary course of business; *provided that:* (a) the Debtor is not in default under this Security Agreement or any other documents related thereto at the time such lending occurs; (b) any such subordination documents are consistent with the Secured Party's first perfected security interest in the Listed Rights Collateral; and (c) such lender agrees to subordinate its security interest in the Listed Rights Collateral to the Secured Party pursuant to similar documents.

17. **Miscellaneous.**

(a) The Secured Party may assign, transfer and deliver its interest in the Collateral and thereby vest in the assignee all rights and powers given to the Secured Party under this Security Agreement and the Secured Party shall thereafter be relieved and fully discharged from any liability or responsibility to the Debtor in respect to this Security Agreement. In the event of such an assignment, the Debtor shall not assert against the assignee any claims, defense or set-off which it may then or thereafter have against the Secured Party.

(b) This Security Agreement is subject to modification only by a writing signed by the parties.

(c) No waiver by the Secured Party of any Event of Default hereunder shall constitute a waiver of any other default or of the same default on a future occasion, and the Secured Party's rights hereunder are cumulative and not alternative. -

(d) This Security Agreement shall be binding upon and inure to the benefit of the heirs, personal representatives, successors and permitted assigns of the Debtor and the Secured Party. If there is more than one Debtor, the Obligations shall be joint and several. This Security Agreement shall become effective when signed by the Debtor.

(e) This Security Agreement and the security interest created hereby shall be

governed by the internal law of the State of Connecticut without regard to principles of conflicts or choice of laws applicable therein or thereto. The Debtor agrees to submit to the jurisdiction of the courts of the State of Connecticut in any proceeding involving this Agreement.

(f) The Debtor hereby waives demand presentment and notice of nonpayment with respect to any note or contract representing all or any part of the Obligations. The Debtor also waives its rights, if any, under Section 9-208 of the UCC.

(g) The headings or captions of the various Sections and other divisions of this Security Agreement are intended for convenient reference only and neither form a part hereof nor are to be relied upon to interpret or modify any of the provisions of this Security Agreement.

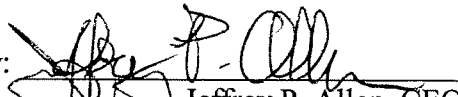
(i) In case any one or more of the provisions contained in this Security Agreement, or any of the documents or agreements contemplated hereby, should be determined to be invalid, illegal or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein, or therein, shall not be in any way affected or impaired thereby.

[Remainder of page intentionally blank; signatures follow.]

IN WITNESS WHEREOF, the foregoing on the date first set forth above Security Agreement is signed and delivered on the date first set forth above.

DEBTOR:

GENCELL CORPORATION

By: 
Jeffrey P. Allen, CEO

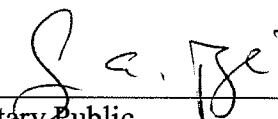
STATE OF CONNECTICUT)

) ss: Southbury

COUNTY OF NEW HAVEN).

On this the 29th day of January 200, before me, Craig A. Paige the undersigned officer, personally appeared Jeffrey P. Allen, who acknowledged himself to be the CEO of GENCELL CORPORATION, a corporation organized under the laws of the State of Connecticut, and that he as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand.



Notary Public
My Commission Expires: _____

CRAIG A. PAIGE
Notary Public, State of Connecticut
Commission Expires Nov. 30, 2009

GENCELL CORPORATION**U.S. Patent Portfolio
Updated Through 05.01.05****TITLE, SERIAL NUMBER, ISSUE/FILE DATE**

U.S. Patent titled "Fuel Cell Current Collector" Patent Number 6 383 677 issued 5/7/02

U.S. Continuation Patent titled "Fuel Cell Current Collector" filed 2/4/02 Patent Number 6 855 447

U.S. Patent titled "Fuel Cell With Internal Thermally Integrated Autothermal Reformer" Patent Number 6 602 606 issued 08/05/03

Provisional Patent Application filed 02/16/00

U.S. Patent titled "Fuel Cell Stack Assembly" Patent Number 6 670 069 issued 12/30/03

Provisional Patent Application filed 02/17/00

U.S. Patent titled "Fuel Cell Bipolar Separator Plate and Current Collector Assembly and Method of Manufacture" Patent Number 6 777 126 issued 08/17/04

Provisional Patent Applications filed 11/16/99 03/07/00 10/24/00

Divisional patent Application serial number 10/762 948 filed 1/22/2004

U.S. Patent titled "Method and Apparatus for In-Situ Leveling of Progressively Formed Sheet Metal" Patent Number 6 772 617 issued 8/10/2004

Provisional Patent Application titled "Polymer Coated Metallic Separator Plate and Method of Assembly" filed 12/5/01

U.S. Application Number 60/337 610

Non-Provisional Patent Application titled "Polymer Coated Metallic Bipolar Separator Plate and Method of Assembly" filed 12/05/02

U.S. Application Number 10/310 351

Provisional Patent Application titled "Silane Coated Metallic Fuel Cell Components & Method of Manufacture" filed 2/5/02

U.S. Application number 10/358 736

Non-Provisional Patent Application titled "Silane Coated Metallic Fuel Cell Components & Method of Manufacture" filed 2/5/03

U.S. Application Number 10/355 736

Non-Provisional Patent Application titled "Aqueous Based Electrolyte Gums for MCFC and Method of Use" filed 2/27/02

U.S. Application Number 10/042 856

GENCELL CORPORATION

U.S. Patent Portfolio
Updated through 06/01/06

TITLE, SERIAL NUMBER, ISSUE/FILE DATE

Provisional Patent Application titled "Bipolar Plate of Fuel Cell Anode" filed 11/17/03

U.S. Application Number 60427905

Non-Provisional Patent Application titled "Bipolar Plate of Fuel Cell Anode" filed 11/17/03

U.S. Application Number 60716105

Provisional Patent Application titled "Fuel Cell End Plate Manifold" filed 11/12/03

U.S. Application Number 60439156

Non-Provisional Patent Application titled "Fuel Cell End Plate Manifold" filed 11/12/04

U.S. Application Number 10/755772

Provisional Patent Application titled "Anode Electrode Group and Electrode and Fuel Cell Inlet/Outlet Valve" filed 11/19/03

U.S. Patent Application Number 60465073

Provisional Patent Application titled "Method and Apparatus for Activation of Bipolar Cathode Electrode in a Bipolar Fuel Cell" filed 11/19/03

U.S. Application Number 60482646

Non-Provisional Patent Application titled "Apparatus and Method for Activation of Electrode in Fuel Cells" filed 11/19/04

U.S. Application Number 10/698004

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

YELLOW DENOTES CLIP SUPPORTED TECHNICAL AND COMMERCIAL DATA FROM PO #02160928

GREEN DENOTES CLIP SUPPORTED TECHNICAL AND COMMERCIAL DATA FROM PO #02160928

[REDACTED]

MEF 5625051.3