

Form PTO-1594 (Rev. 03/01) **RECORDATION FORM COVER SHEET** U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office  
**TRADEMARKS ONLY**  
 OMB No. 0651-0027 (exp. 5/31/2002)

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

1. Name of conveying party(ies):  
**AquaPhotonics, Inc.**

Individual(s)       Association  
 General Partnership       Limited Partnership  
 Corporation-State  
 Other:

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

2. Name and address of receiving party(ies):  
 Name: **Bank of the West**  
 Internal Address: Special Assets Department  
 Street Address: 300 South Grand Avenue 5th Fl.  
 City: **Los Angeles**  
 State: **California**      Zip: **90071**

Individual(s) citizenship: \_\_\_\_\_  
 Association: \_\_\_\_\_  
 General Partnership: \_\_\_\_\_  
 Limited Partnership: \_\_\_\_\_  
 Corporation-State: \_\_\_\_\_  
 Other: \_\_\_\_\_

If assignee is not domiciled in the United States, a domestic representative designation is attached:       Yes  
 (Designations must be a separate document from assignment)       No

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

3. Nature of Conveyance:  
 Assignment       Merger  
 Security Agreement       Change of Name  
 Other:

Execution Date: April 6, 2004

4. Application Number(s) or Registration Number(s):  
 A. Trademark Application No.(s):  
**76533580**

Additional numbers attached?       Yes       No

B. Trademark Registration No.(s):

5. Name and address of party to whom correspondence concerning document should be mailed:  
 Name: **Kelly Logue**  
**MORRISON & FOERSTER LLP**

Internal Address: Atty. Dkt.: 07427/0000683  
 Street Address: **555 W. Fifth Street**  
**Suite 3500**  
 City: Los Angeles      State: CA      Zip: 90013

6. Total Number of applications and registrations involved: 1


7. Total fee (37 CFR 3.41)      \$ 40.00

Enclosed  
 Authorized to be charged to Deposit Account  
 Authorized to be charged to credit card (Form 2038 enclosed)

8. Deposit account number: 03-1952  
 (Attach duplicate copy of this page if paying by deposit account)

**DO NOT USE THIS SPACE**

9. Statement and signature:  
*To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.*

Glenn M. Kubota (Reg. No. 44,197)            April 16, 2004  
 Name of Person Signing      Signature      Date

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

CH \$40.00 03-1952 76533580

## SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Security Agreement") is made and dated this 6th day of April, 2004 by and between AQUAPHOTONICS, INC., a California corporation, (the "Debtor"), and BANK OF THE WEST, a California banking corporation, (the "Bank").

### RECITALS

A. The Bank has extended, and may hereafter extend, credit to or for the benefit of BIO-HYDRATION RESEARCH LAB, INC., a California corporation (the "Borrower").

B. At the request of the Borrower, the Bank consented to the transfer of certain property to the Debtor pursuant to an Assignment and Assumption Agreement dated as of May 28, 2003 between the Borrower and the Debtor, subject to the satisfaction of certain conditions.

C. Among the conditions to the Bank's consent to such transfer were that (1) the Debtor execute and deliver to the Bank a Continuing Guaranty dated as of July 31, 2003 (the "Guaranty") of the Indebtedness (as defined therein) of the Borrower and (2) the Borrower enter into a Security Agreement (Patent License) dated as of July 31, 2003 (the "License Security Agreement") between the Borrower and the Bank pursuant to which the Borrower secured its Obligations (as defined therein) with a first priority security interest in its rights under a License and Manufacturing Agreement dated as of May 28, 2003 (the "License Agreement") between the Borrower and the Debtor.

D. Under the License Agreement, the Debtor licensed to the Borrower (1) the exclusive right to make, use, market and sell Penta water (as hereafter defined) for human drinking water using the proprietary process described in clause (2) of this Paragraph D (the "Rights"), (2) the proprietary process (the "Process") of making special micro-cluster rapidly hydrating drinking water ("Penta water"), and (3) in connection with the foregoing, the right to use (a) United States Patent No. 6,521, 248 issued February 18, 2003 entitled "Micro-Cluster Liquids and Methods of Making Them," all technology and know-how of AquaPhotonics, Inc., a California corporation, directly related to the commercial manufacture and sale of Penta water as a drinking water as claim in the foregoing patent, and pending patent applications and any divisions, continuations, in whole or in part, reissues, re-examinations, renewals and extensions that claim Pre-Existing Inventions or claim inventions that are improvements to or derived from Pre-Existing Inventions (all of the foregoing being, collectively, the "Patents") and (b) the proprietary equipment ("Equipment") provided by the Debtor to the Borrower.

E. The Borrower has defaulted in its Obligations to the Bank, and the Bank has agreed to forbear in the exercise of remedies, subject to the satisfaction of certain conditions, including, without limitation, that the Debtor grant to the Bank a security interest in all of the Debtor's right, title and interest in, under and to the License Agreement, Rights, Process, Patents, Equipment, and all other patents, trademarks, copyrights and other intellectual property of Debtor to secure the obligations of the Debtor under its Guaranty (the "Obligations").

NOW, THEREFORE, in consideration of the above Recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

AGREEMENT

1. Grant of Security Interest. As collateral security for the Obligations, the Debtor hereby mortgages, assigns, grants and conveys to the Bank a security interest, pledge, assignment and mortgage in all of the Debtor's right, title and interest in the following (the "Collateral"), whether now owned or hereafter acquired:

(a) The License Agreement, Process, Rights, Patents, Equipment, and all other patents, trademarks, copyrights and other intellectual property of Debtor, including without limitation, those patent, trademarks and copyrights listed on Schedule 1 to this Security Agreement;

(b) To the extent arising under or on account of other Collateral, including, without limitation, as proceeds, all accounts, general intangibles, investment property, instruments, goods, letter-of credit rights, equipment, deposit accounts, and all rights under the foregoing, acccessions thereto and improvements thereof;

(c) All rights to licenses or to make, have made, use and/or sell the inventions disclosed or claimed in the foregoing;

(d) All right (but not the obligation) to register with respect to the Collateral claims under any state, federal or foreign patent law or regulation;

(e) All rights, claims and interests under licensing or other contracts pertaining to the Collateral;

(f) All specifications as to and quality control manuals used in connection with the operations utilizing the Collateral;

(g) All goodwill associated with the Collateral;

(h) All rights (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of the Debtor or the Bank for past, present and future infringements of the Collateral and the right to enforce the same; and

(i) All products and proceeds of any of the foregoing.

2. No Present Assignment. Neither this Security Agreement, nor any other document, instrument or agreement creates or is intended to create a present assignment of the Collateral. Subject to the rights and security interest of the Bank, it is the intention of the parties hereto that the Debtor continue to own the Collateral.

3. Representations and Warranties. The Debtor hereby represents and warrants to the Bank that:

(a) The Debtor has good and marketable title to the Collateral, and has granted to the Bank a first priority perfected security interest therein;

(b) Except for the Bank, no other person has a security interest or other lien on any Collateral;

(c) The Debtor is a corporation organized under the laws of California with a registration number of C2292802; and

(d) Except as set forth on Schedule 1 to this Security Agreement, the Debtor does not own any federally registered trademarks, patents, copyrights or maskworks.

4. Covenants and Agreements of the Debtor. The Debtor hereby agrees, at no cost or expense to the Bank:

(a) To do all acts (other than acts which are required to be done by the Bank) that may be necessary to maintain, preserve and protect the Collateral and the first priority perfected security interest of the Bank therein;

(b) Not to use or permit any Collateral to be used unlawfully or in violation of any provision of this Security Agreement or any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Debtor or affecting any of the Collateral or any contractual obligation affecting any of the Collateral;

(c) To pay promptly when due all taxes, assessments, charges, encumbrances and liens now or hereafter imposed upon or affecting any Collateral;

(d) To appear in and defend any action or proceeding which may affect its title to or the Bank's interest in the Collateral;

(e) Except for licenses in effect on the date of this Security Agreement, not sell or license any Collateral without the prior written consent of the Bank;

(f) To keep separate, accurate and complete records of the Collateral and to provide the Bank with such records and such other reports and information relating to the Collateral as the Bank may reasonably request from time to time;

(g) Promptly upon acquisition of rights in federally registered patents, copyrights or trademarks, to notify the Bank and cause to be executed, delivered and recorded supplements to this Security Agreement, and/or such other documents and agreements as the Bank may reasonably require to establish and to maintain a first priority perfected security interest.

5. Collection of Collateral Payments. Upon the request of the Bank made at any time, the Debtor will (a) notify and direct any licensee or other party who is obligated to make payments ("Payment Collateral") on the Collateral, to make payment thereof to such accounts as the Bank may direct in writing and/or (b) forthwith upon receipt, transmit and deliver to the Bank, in the form received, all cash, checks, drafts and other instruments for the payment of money (properly endorsed where required so that such items may be collected by the Bank) which may be received by the Debtor at any time on account of any Collateral Payment and, until delivered to the Bank, such items will be held in trust for the Bank and will not be commingled by the Debtor with any of its other funds or property. Thereafter, the Bank is hereby authorized and empowered to endorse the name of the Debtor on any check, draft or other instrument for the payment of money received by the Bank on account of any Collateral Payment if the Bank

believes such endorsement is necessary or desirable for purposes of collection. The Debtor will indemnify and save harmless the Bank from and against all reasonable liabilities and expenses on account of any adverse claim asserted against the Bank relating to any moneys received by the Bank on account of any Collateral Payment and such obligation of the Debtor shall continue in effect after and notwithstanding the discharge of the Obligations and the release of the security interest granted in this Security Agreement.

6. Additional Covenants Regarding Intellectual Property Collateral.

(a) The Debtor shall not, unless it shall either reasonably and in good faith determine that such Collateral is of negligible economic value to the Debtor or that there is a valid purpose to do otherwise:

(1) Permit any patents to lapse or become abandoned or dedicated to the public or otherwise be unenforceable;

(2) (i) Fail to continue to use any of the trademarks in order to maintain all of the trademarks in full force free from any claim of abandonment for non-use, (ii) fail to maintain as in the past the quality of products and services offered under all of the trademarks, (iii) fail to employ all of the trademarks registered with any federal or state or foreign authority with an appropriate notice of such registration, (iv) adopt or use any other trademark which is confusingly similar or a colorable imitation of any of the trademarks, (v) use any of the trademarks registered with any federal or state or foreign authority except for the uses for which registration or application for registration of the trademarks has been made, or (vi) do or permit any act or knowingly omit to do any act whereby any of the trademarks may lapse or become invalid or unenforceable; and

(3) Do or permit any act or knowingly omit to do any act whereby any of the copyrights or any of the Collateral consisting of common law or statutory trade secrets may lapse or become invalid or unenforceable or placed in the public domain except upon expiration of the end of an unrenovable term of a registration thereof.

(b) The Debtor shall notify the Bank immediately if it knows, or has reason to know, that any application or registration relating to any material item of the patents, trademarks, copyrights or trade secrets (collectively, the "Intellectual Property Collateral") may become abandoned or dedicated to the public or placed in the public domain or invalid or unenforceable, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any foreign counterpart thereof or any court) regarding the Debtor's ownership of any of the Intellectual Property Collateral, its right to register the same or to keep and maintain and enforce the same.

(c) In no event shall the Debtor or any of its agents, employees, designees or licensees file an application for the registration of any Intellectual Property Collateral with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, unless it promptly informs the Bank, and upon request of the Bank, executes and delivers any and all agreements, instruments, documents and papers as the Bank may reasonably request to evidence the Bank's security interest in such Intellectual Property Collateral and the goodwill and general intangibles of the Debtor relating thereto or represented thereby.

7. Remedies.

(a) If the Debtor shall fail to pay on demand under its Guaranty, unless the Bank has otherwise agreed to forbear in the exercise of remedies, the Bank may, without notice to or demand on the Debtor and in addition to all rights and remedies available to the Bank with respect to the Obligations, at law, in equity or otherwise, do any one or more of the following:

(1) Foreclose or otherwise enforce the Bank's security interest in any manner permitted by law or provided for in this Security Agreement.

(2) Sell, lease, license or otherwise dispose of any Collateral at one or more public or private sales at the Bank's place of business or any other place or places, including, without limitation, any broker's board or securities exchange, whether or not such Collateral is present at the place of sale, for cash or credit or future delivery, on such terms and in such manner as the Bank may determine.

(3) Recover from the Debtor all costs and expenses, including, without limitation, reasonable attorneys' fees (including the allocated cost of internal counsel), incurred or paid by the Bank in exercising any right, power or remedy provided by this Security Agreement.

(4) Require the Debtor to assemble the Collateral and make it available to the Bank at a place to be designated by the Bank.

(5) Enter onto property where any Collateral is located and take possession thereof with or without judicial process.

(6) Prior to the disposition of the Collateral, store, process, repair or recondition it or otherwise prepare it for disposition in any manner, but in no event shall the Bank be obligated to do so, and to the extent the Bank deems appropriate and in connection with such preparation and disposition, without charge, use any trademark, tradename, copyright, patent or technical process used by the Debtor.

(7) In connection with the disposition of any Collateral, disclaim any warranty relating to title, possession or quiet enjoyment.

(b) Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Debtor shall be given five (5) Business Days' prior notice of the time and place of any public sale or of the time after which any private sale or other intended disposition of Collateral is to be made pursuant to this Security Agreement, which notice the Debtor hereby agrees shall be deemed reasonable notice thereof.

(c) Upon any sale or other disposition pursuant to this Security Agreement, the Bank shall have the right to deliver, assign and transfer to the purchaser thereof the Collateral or portion thereof so sold or disposed of. Each purchaser at any such sale or other disposition (including the Bank) shall hold the Collateral free from any claim or right of whatever kind, including any equity or right of redemption of the Debtor, and the Debtor specifically waives (to the extent permitted by law) all rights of redemption, stay or appraisal which it has or may have under any rule of law or statute now existing or hereafter adopted.

(d) Any deficiency with respect to the Obligations which exists after the disposition or liquidation of the Collateral shall be a continuing liability of the Debtor to the Bank and shall be immediately paid by the Debtor to the Bank.

8. Application of Non-Cash Proceeds. Notwithstanding anything else contained in this Security Agreement, if any non-cash proceeds are received in connection with any sale or disposition of any Collateral, the Bank shall not apply such non-cash proceeds to the Obligations unless and until such proceeds are converted to cash; provided, however, that if such non-cash proceeds are not expected on the date of receipt thereof to be converted to cash within one year after such date, the Bank shall use commercially reasonable efforts to convert such non-cash proceeds to cash within such one year period.

9. Waiver of Hearing. The Debtor expressly waives to the extent permitted under applicable law any constitutional or other right to a judicial hearing prior to the time the Bank takes possession or disposes of the Collateral.

10. Cumulative Rights. The rights, powers and remedies of the Bank under this Security Agreement shall be in addition to all rights, powers and remedies given to the Bank by virtue of any statute or rule of law or any other agreement, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing the Bank's security interest in the Collateral.

11. Waiver. Any forbearance or failure or delay by the Bank in exercising any right, power or remedy shall not preclude the further exercise thereof, and every right, power or remedy of the Bank shall continue in full force and effect until such right, power or remedy is specifically waived in a writing executed by the Bank, and the Debtor waives any right to require the Bank to proceed against any person or to exhaust any Collateral or to pursue any remedy in the Bank's power.

12. Setoff. The Debtor agrees that the Bank may exercise its rights of setoff with respect to the Obligations in the same manner as if the Obligations were unsecured.

13. Financing Statements. The Debtor hereby consents to and instructs the Bank to file financing statements in all locations deemed appropriate by the Bank from time to time. In connection with the filing of such financing statements, the Debtor acknowledges and agrees that the Bank may utilize a general description of the Collateral.

14. Cumulative Rights; No Waiver. The rights, powers and remedies of the Debtor hereunder are cumulative and in addition to all rights, power and remedies provided under any and all agreements between the Debtor, the Borrower and the Bank relating hereto, at law, in equity or otherwise. Any delay or failure by the Bank to exercise any right, power or remedy shall not constitute a waiver thereof by the Bank, and no single or partial exercise by the Bank of any right, power or remedy shall preclude other or further exercise thereof or any exercise of any other rights, powers or remedies.

15. Entire Agreement. This Security Agreement, the Continuing Guaranty by the Debtor and any related documents (the "Debtor Documents") embody the entire agreement and understanding between the parties hereto and supersede all prior agreements and understandings relating to the subject matter hereof and thereof.

16. Survival. All representations, warranties, covenants and agreements contained herein and in the other Debtor Documents of the Debtor shall survive the termination of this

Agreement and shall be effective until the Obligations are paid and performed in full or longer as expressly provided herein.

17. Governing Law. This Security Agreement shall be governed by and construed in accordance with the laws of the State of California without giving effect to its choice of law rules.

18. Counterparts. This Security Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement.

19. Severability. The illegality or unenforceability of any provision of this Security Agreement or any instrument or agreement required hereunder or thereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions hereof or thereof.

20. Reaffirmation of Guaranty. The Debtor hereby reaffirms all of its agreements, representations and warranties under the Guaranty and its Obligations to the Bank.

21. Acknowledgement of Bank Compliance. The Debtor acknowledges that the Bank has fully complied with its agreements with the Borrower and the Debtor and that the Debtor has no defenses to performance or rights or claims to set off or recoupment with respect thereto. The Debtor, for its successors, assigns and present and future shareholders, officers, directors, employees, agents and attorneys, hereby remises, releases and forever discharges each of the Bank and its present and former officers, directors, stockholders, affiliates, employees, agents, attorneys, successors and assigns from and against any and all claims, rights, actions, causes of action, suits, liabilities, defenses, damages and costs that (a) exist or may exist as of the date hereof or (b) arise from or are otherwise related to the Guaranty or any related document, any transaction contemplated thereby or hereby, the administration of the financial accommodations made or referenced thereunder, the collateral security given in connection therewith, or any related discussions or negotiations, in each case whether known or unknown, suspected or unsuspected. The Debtor waives any and all claims, rights and benefits it may have under any law of any jurisdiction (including Section 1542 of the California Civil Code and any similar provisions) that would render ineffective a release made by a creditor of claims that the creditor does not know or suspect to exist in its favor at the time of executing the release and that, if known by it, would have materially affected its settlement with the applicable debtor



IN WITNESS WHEREOF, the parties to this Security Agreement have caused it to be executed the date and year first above written.

AQUAPHOTONICS, INC., as the Debtor

By: David T. Cheatham  
Name: DAVID T. CHEATHAM  
Title: PRESIDENT

Address:  
AquaPhotonics, Inc.  
2091 Rutherford Road  
Carlsbad, CA 92008  
Attention: Chief Executive Officer

BANK OF THE WEST, as the Bank

By: Angie Coro  
Name: ANGIE CORO  
Title: VICE PRESIDENT

Address:  
Bank of the West  
Special Assets Department  
300 South Grand Avenue 5<sup>th</sup> Floor  
Los Angeles, CA 90071  
Attention: Angie Coro

**SCHEDULE 1 TO SECURITY AGREEMENT**

1. Patents:
2. Patent Applications:
3. Trademarks:
4. Copyrights:

Schedule 1 to Security Agreement (Page 1)AQUAPHOTONICS, INC.

| <u>PATENT</u>   | <u>REGION</u> | <u>SERIAL NO./<br/>REG. NO.</u> |
|---|---------------|---------------------------------|
| MICRO-CLUSTER LIQUID  | US            | 60/161,546                      |
| MICRO-CLUSTER LIQUIDS AND METHODS OF MAKING AND USING THEM                      | US            | 09/698,537<br>6,521,248         |
| FOOD OR EDIBLE MATERIAL AND BEVERAGES: PROCESSES,<br>COMPOSITIONS, AND PRODUCTS | US            | 10/680,771                      |
| MICRO-CLUSTER LIQUIDS AND METHODS OF MAKING AND USING THEM                      | PCT           | PCT/US00/41670                  |
| MICRO-CLUSTER LIQUIDS AND METHODS OF MAKING AND USING THEM                      | AU            | 30779/01                        |
| MICRO-CLUSTER LIQUIDS AND METHODS OF MAKING AND USING THEM                      | BR            | P10015223-4                     |
| MICRO-CLUSTER LIQUIDS AND METHODS OF MAKING AND USING THEM                      | CA            | 2,388,934                       |
| MICRO-CLUSTER LIQUIDS AND METHODS OF MAKING AND USING THEM                      | CN            | 00816223.9                      |
| MICRO-CLUSTER LIQUIDS AND METHODS OF MAKING AND USING THEM                      | EP            | 00990975.5                      |
| MICRO-CLUSTER LIQUIDS AND METHODS OF MAKING AND USING THEM                      | IN            | 2002/00439/DEL                  |
| MICRO-CLUSTER LIQUIDS AND METHODS OF MAKING AND USING THEM                      | JP            | 2001-533109                     |
| MICRO-CLUSTER LIQUIDS AND METHODS OF MAKING AND USING THEM                      | MX            | PAA2002/004181                  |
| MICRO-CLUSTER LIQUIDS AND METHODS OF MAKING AND USING THEM                      | NZ            | 518605                          |

April 5, 2004  
109542.000001/4610107.01

**Schedule 1 to Security Agreement (page 2)**  
**AQUAPHOTONICS**  
**TRADEMARKS**

| <b><u>TRADEMARK</u></b>      | <b><u>REGION</u></b> | <b><u>APPLICATION/<br/>REGISTRATION</u></b> |
|------------------------------|----------------------|---|
| PENTA-HYDRATE                | NORTH AMERICA        | 2,645,092                                   |
| PENTA                        | OCEANA               | 909094                                      |
| PENTA                        | NORTH AMERICA        | TMA603,773                                  |
| PENTA                        | FAR EAST             | 3169856                                     |
| PENTA                        | EUROPE               | 002744886                                   |
| PENTA                        | FAR EAST             | 837/2003                                    |
| PENTA                        | FAR EAST             | 046316999                                   |
| PENTA                        | FAR EAST             | 40-573664                                   |
| PENTA                        | NORTH AMERICA        | 545951                                      |
| PENTA                        | OCEANA               | 655934                                      |
| PENTA                        | SOUTH ASIA           | 01028850                                    |
| PENTA                        | NORTH AMERICA        | 2,586,573                                   |
| BE FLUID                     | NORTH AMERICA        | 2,638,851                                   |
| SPHERICAL ARRANGEMENT DESIGN | NORTH AMERICA        | 1,138,440                                   |
| DESIGN/DEVICE                | FAR EAST             | 3169855                                     |
| DESIGN/DEVICE                | EUROPE               | 002744878                                   |
| DESIGN/DEVICE                | FAR EAST             | APP# 2002/05014                             |
| DESIGN/DEVICE                | FAR EAST             | 04632000                                    |
| DESIGN/DEVICE                | FAR EAST             | 40-2002-20219                               |
| DESIGN/DEVICE                | NORTH AMERICA        | 752,893                                     |
| MULTI SPHERE DEVICE          | OCEANA               | 655935                                      |
| AQUA-RX                      | NORTH AMERICA        | APP# 76/533,580                             |

IRREVOCABLE POWER OF ATTORNEY

AQUAPHOTONICS, INC., a California corporation (the "Debtor"), hereby grants to BANK OF THE WEST (the "Bank"), an exclusive Irrevocable Power of Attorney to (i) transfer licensed rights, patents rights, other intellectual property, and applications and registrations therefor owned or licensed by the Debtor from time to time, (ii) renew, extend, and protect the foregoing, and (iii) register and record any such transfer, renewal, extension and protection

1. The Power of Attorney granted hereunder shall be effective as of the date hereof and shall last for as long as the Bank shall have a security interest in any collateral owned by the Debtor;

2. This Power of Attorney may be exercised by the Bank upon default by the Debtor under that Continuing Guaranty of obligations of Bio-Hydration Research Lab., Inc. dated as of July 31, 2003, as amended, modified or waived from time to time, and such other documents, instruments and agreements as may be executed and delivered as contemplated thereby or in connection therewith.

3. The Power of Attorney granted herein shall be irrevocable throughout the duration of its life specified in Paragraph 1 above and is coupled with an interest; it is created for the benefit of the attorney in fact, the Bank, rather than for the Debtor;

4. The Power of Attorney granted hereunder gives and grants unto said attorney in fact, the Bank, full power of substitution to substitute another party for the Bank;

IN WITNESS WHEREOF, the Debtor has caused this Irrevocable Power of Attorney to be executed by its officer thereunto duly authorized, as of April 6, 2004.

AQUAPHOTONICS, INC., as the Debtor

By: David T. Cheatham  
Name: DAVID T. CHEATHAM  
Title: PRESIDENT

STATE OF CALIFORNIA )

COUNTY OF San Diego ) ss.

On April 6<sup>th</sup>, 2004 before me, the undersigned notary public in and for said County and State, personally appeared David T. Cheatham only, personally ~~known to me~~ (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same in ~~his/her/their~~ authorized capacity(ies) and that, by ~~his/her/their~~ signature(s) on the instrument, the person(s) or the entity(ies) upon behalf of which the person(s) acted executed the instrument.

WITNESS my hand and official seal.



[Signature]  
My commission expires on March 31, 2007

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER DOCUMENT

DESCRIPTION OF ATTACHED

|  |  |
|--|--|
| <input type="checkbox"/> INDIVIDUAL                              | _____  |
| <input type="checkbox"/> CORPORATE OFFICER<br>Title(s) _____     | Title or Type of Document _____                  |
| <input type="checkbox"/> PARTNER(S)<br>____ Limited ____ General | _____<br>Signer(s) Other Than Named Above: _____ |
| <input type="checkbox"/> ATTORNEY-IN-FACT                        | Date of Document: _____                          |
| <input type="checkbox"/> TRUSTEE(S)                              | Number of Pages: _____                           |
| <input type="checkbox"/> GUARDIAN/CONSERVATOR                    | <b>SIGNER IS REPRESENTING:</b><br>_____<br>_____ |
| <input type="checkbox"/> OTHER:                                  | _____<br>_____                                   |