

**TRADEMARK ASSIGNMENT**

Electronic Version v1.1  
 Stylesheet Version v1.1

<b>SUBMISSION TYPE:</b>	NEW ASSIGNMENT
<b>NATURE OF CONVEYANCE:</b>	SECURITY INTEREST

**CONVEYING PARTY DATA**

Name	Formerly	Execution Date	Entity Type
ARLASKY PERFORMANCE, INC.		12/20/2004	CORPORATION: NEVADA

**RECEIVING PARTY DATA**

<b>Name:</b>	LANE ELLIOT
<b>Street Address:</b>	26112 Paseo Minero,
<b>Internal Address:</b>	suite 201
<b>City:</b>	San Juan Capistrano
<b>State/Country:</b>	CALIFORNIA
<b>Postal Code:</b>	92675
<b>Entity Type:</b>	INDIVIDUAL: UNITED STATES

<b>Name:</b>	JAMES A. JOHNSON
<b>Street Address:</b>	775 Galleon Drive
<b>City:</b>	Naples
<b>State/Country:</b>	FLORIDA
<b>Postal Code:</b>	34102
<b>Entity Type:</b>	INDIVIDUAL: UNITED STATES

<b>Name:</b>	Mitchell Technology Investments
<b>Street Address:</b>	11601 Wilshire Blvd.
<b>Internal Address:</b>	Suite 2400
<b>City:</b>	Los Angeles
<b>State/Country:</b>	CALIFORNIA
<b>Postal Code:</b>	90025
<b>Entity Type:</b>	General Partnership: UNITED STATES

<b>Name:</b>	PETER MURRAY
<b>Street Address:</b>	25910 Acero Street
<b>Internal Address:</b>	suite 140

CH \$65.00 78281648

City:	Mission Viejo
State/Country:	CALIFORNIA
Postal Code:	92691
Entity Type:	INDIVIDUAL: UNITED STATES

Name:	BRIAN ROGERS
Street Address:	25910 Acero Street
Internal Address:	Suite 140
City:	Mission Viejo
State/Country:	CALIFORNIA
Postal Code:	92691
Entity Type:	INDIVIDUAL: UNITED STATES

Name:	MICHEAL HURLEY
Street Address:	61 Endless Vista
City:	Aliso Viego
State/Country:	CALIFORNIA
Postal Code:	92656
Entity Type:	INDIVIDUAL: UNITED STATES

Name:	ELLIOTT AND COMPANY
Street Address:	26112 Paseo Minero
Internal Address:	Suite 201
City:	San Juan Capistrano
State/Country:	CALIFORNIA
Postal Code:	92675
Entity Type:	COMPANY: CALIFORNIA

PROPERTY NUMBERS Total: 2

Property Type	Number	Word Mark
Serial Number:	78281648	ZOOMERS
Serial Number:	78281378	ZOOMERS

CORRESPONDENCE DATA

Fax Number: (215)979-1020  
*Correspondence will be sent via US Mail when the fax attempt is unsuccessful.*  
 Phone: 1-215-979-1282  
 Email: Spgribok@duanemorris.com  
 Correspondent Name: STEPHAN P. GRIBOK  
 Address Line 1: ONE LIBERTY PLACE

Address Line 4: PHLADDELPHIA, PENNSYLVANIA 19103

NAME OF SUBMITTER: STEPHAN P. GRIBOK

Signature: /s/

Date: 01/12/2005

**Total Attachments: 18**

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## SECURITY AGREEMENT

**THIS SECURITY AGREEMENT** (hereinafter “the Agreement” or “Security Agreement”) is made as of December 20, 2004, by **ARLASKY PERFORMANCE, INC.**, a Nevada Corporation with a principal place of business at 15791 Rockfield Boulevard, Suite J, Irvine, California 92618 (the “Debtor”); and Lane Elliott (the “Agent”) with a mailing address at 26112 Paseo Minero, Suite 201, San Juan Capistrano, CA 92675, as agent for the “Secured Parties” defined below; and James A. Johnston with a mailing address at 775 Galleon Drive, Naples, Florida 34102, Lane Elliott with a mailing address at said Paseo Minero address, Mitchell Technology Investments, A General Partnership having mailing address at 11601 Wilshire Blvd. Suite 2400, Los Angeles, CA 90025, Peter Murray with a mailing address at 25910 Acero Street, Suite 140, Mission Viejo, CA. 92691, Brian Rogers with a mailing address at 25910 Acero Street, Suite 140, Mission Viejo, CA. 92691, Michael Hurley with a mailing address at 61 Endless Vista, Aliso Viejo, CA.92656, Elliott & Company with a mailing address at said Paseo Minero address and any other of the holders from time to time of Series RD of the Ten Percent Restated Secured Convertible Debentures (as hereinafter defined) of the Debtor (together the “Secured Parties”).

### RECITALS

**WHEREAS**, Debtor has previously authorized one or more series of convertible debentures (the “Original Debentures”) and pursuant to such authorization issued those Original Debentures shown on Exhibit “A” attached hereto and made part hereof totaling Five Hundred and Eighty Five Thousand Dollars (\$585,000.00); and

**WHEREAS**, Payment of the Original Debentures was secured by the grant of security interests in certain collateral (the “Original Security Interests”); and

**WHEREAS**, the Debtor and the Secured Parties wish to restate the Original Debentures and to make modifications thereto to cause them to be consistent with each other and to adopt a common form for the issuance of new debentures, all in a single series, “Series RD Ten Percent Restated Convertible Debentures” (collectively the “Restated Debentures”); and

**WHEREAS**, the Secured Parties have required the Debtor to confirm, adopt and regrant the Original Security Interests, and more comprehensively describe the collateral subject to the same (the “Collateral”) as a condition for restating the said Original Debentures and because the issuance of additional Restated Debentures will benefit the Debtor; and

**WHEREAS**, the Secured Parties wish the Agent to act as the Agent hereunder and to deal with the Collateral hereunder, and Agent is willing to act as agent for such Secured Parties but only in accordance with the terms, and subject to the conditions, of this Security Agreement.

without limitation, (a) file financing statements and filings with the United States Patent and Trademark Office, and otherwise perfect any security interest granted hereby, (b) upon the occurrence of a Default hereunder, in the Debtor's or the Agent's name, to demand, collect, receive, and receipt for, compound, compromise, settle and give acquaintance for, and prosecute and discontinue or dismiss, with or without prejudice, any suit or proceeding respecting any of the Collateral, (c) prosecute any pending patent or trademark application.

## DEFAULTS AND REMEDIES

Defaults. Each of the following events shall constitute a default (a "Default") under this Agreement:

The material untruth or material deceptiveness of any warranty or representation herein made by Debtor;

The failure by Debtor to perform any obligation under this Agreement for a period in excess of Ten (10) days after the date on which notice of the nature of such failure is given by Agent to Debtor by certified mail, return receipt requested, provided, if such failure does not relate to the payment of money and by its nature capable of being cured but cannot be cured within said ten (10) day period and Debtor diligently commences and prosecutes such cure during said ten (10) day period, Debtor shall have an additional ten (10) days to cure such default, but in no event shall the period to cure any such default exceed twenty (20) days after the date Agent's notice is given to Debtor;

The occurrence of any default under the terms of the covenants in the Original Debentures or in the Restated Debentures, material untruth or material deceptiveness of any warranty or representation contained in the Original Debentures, the Restated Debentures, the Original Security Agreements or any documents or agreements delivered by the Debtor to any holder of any Original Debentures, or breach of any such document or agreement.

The loss, damage, seizure, levy, forfeiture, distraint or attachment of any portion of the Collateral.

Remedies. If a Default exists, then at the election of Agent, confirmed and agreed to by the holders of at least twenty percent (20%) of the dollar amount of outstanding Restated Debentures ("the Required Holders") and without further demand or notice of any kind, Agent may declare all indebtedness under the Restated Debentures to be immediately due and payable and exercise from time to time any rights and remedies available to Agent under the terms of the Uniform Commercial Code of Nevada, the laws relating to the Patent and Trademark Office, or any other provision of law now or hereafter in effect from time to time in order to collect such indebtedness. The Debtor shall pay all expenses incurred by the Agent in the collection of such indebtedness, including, without limitation, attorneys' fees and legal expenses. If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed reasonable and proper if given at least ten (10) days before such disposition. Any proceeds of the disposition of any of the Collateral may be applied by Agent to the payment of the expenses of retaking, holding, preparing for sale, and selling the Collateral, including without limitation, attorneys' fees and legal expenses, and any balance of such

IN WITNESS WHEREOF, Debtor has caused this Agreement to be executed as of the day and year first above written.

**DEBTOR:**

**ARLASKY PERFORMANCE, INC.**

By: *Frank J. Kelly*  
Title: *President & CEO*

**AGENT:**

By: *Frank J. Kelly*  
Its: *SECRETARY*

**SECURED PARTIES:**

**JAMES A. JOHNSTON**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**LANE ELLIOTT**

By: *Lane Elliott*  
Title: \_\_\_\_\_

**MICHAEL HURLEY**

By: *Michael Hurley*  
Title: *General Mgr.*

**EXHIBIT A**

**ORIGINAL DEBENTURES**

<b>ORIGINAL SERIES NUMBER</b>	<b>NAME</b>	<b>DATE OF ISSUANCE</b>	<b>AMOUNT</b>
2	Michael Hurley	12-26-2003	\$30,000.00
3	Brian Rogers	12-26-2003	\$25,000.00
4	Peter Murray	12-26-2003	\$25,000.00
5	Mitchell Technology Investments, LLC	12-26-2003	\$50,000.00
5	James A. Johnston	4-20-2004	\$400,000.00
6	Lane Elliott	4-26-2003	\$55,000.00**

\*\* Undocumented as to \$7,000.00; the expressed principal is \$48,000 in error

## THE GRANT

**NOW, THEREFORE**, as security for the repayment of the Restated Debentures (whether outstanding on this date or hereafter issued) and as security for the advances, credit and financial accommodations heretofore and hereinafter made to Debtor, its successors or assigns by the Secured Parties, and for other good and valuable consideration, Debtor hereby grants to Agent on behalf of the Secured Parties, and confirms, adopts and regrants to Agent on such behalf, a security interest in, and collaterally assigns to Agent, Debtor's right, title and interest in the Collateral as herein described and additionally as shown on Exhibit "B" attached. As of the date hereof, the Restated Debentures are listed on Exhibit "C" attached.

Without limitation, Debtor hereby collaterally assigns, mortgages, pledges and grants to Agent on behalf of the Secured Parties, a security interest in, as and by way of a first mortgage and security interest having priority over all other mortgages and security interests, with power of sale, to the extent permitted by law, all of Debtor's right, title and interest in and to all of the following, whether now owned or existing and filed or hereafter acquired or arising and filed:

(i) patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein, including, without limitation those listed on said Exhibit "B" and (A) the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (B) all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (C) the right to sue for past, present and future infringements thereof, and (D) all rights corresponding thereto throughout the world (all of the foregoing patents and applications, together with the items described in clauses (A)-(D), are sometimes hereinafter individually and/or collectively referred to as the "Patents");

(ii) copyrights, copyright registrations, copyright applications and all computer programs, operating systems, application systems, hardware or software of any nature whatsoever owned by Debtor and relating to performance exhaust and air intake, whether operational, under development or inactive, including all object codes, source codes, modules, technical manuals, user manuals, operating instructions and procedures, in-put and out-put formats, program listings, narrative descriptions, program flow charts, file layouts, report layouts, screen layouts and other documentation therefore (including internal notes, memoranda, status evaluations, marketing information and write-ups), and all improvement, modifications, enhancements, new releases and revisions thereof, whether in machine-readable form, programming language or any other language or symbols, and whether stored, encoded, recorded or written on disk, tape, film, memory device, paper or other media of any nature; together with all tangible media upon which any of the foregoing are recorded or encoded, including, without limitation, all chips, disks, tapes, film and paper; including, without limitation, any copyrights, copyrights registrations and copyrights applications listed on said Exhibit "B", and (A) all renewals thereof, (B) all income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, and (C) the right to sue for past, present and future infringements thereof (all of the foregoing items are sometimes referred to herein collectively as the "Copyrights"); and

(iii) license agreements with any other party, whether Debtor is a licensor or licensee under any such license agreement, and the right to prepare for sale, sell and advertise for sale all



proceeds may be applied by Agent toward the payment of such of the indebtednesses, to all Secured Parties pro rata to their indebtedness hereby secured.

All remedies expressed herein are cumulative with each other and with all other rights of the Secured Parties under the Nevada Uniform Commercial Code, the laws relating to filings made in the Patent and Trademark Office, and all other rights by statute, at law, under any other agreement between the parties or as elsewhere herein contained.

#### AGENT

Each Secured Party hereby irrevocably appoints, designates and authorizes the Agent to take such action on its behalf under the provisions of this Security Agreement and each Restated Debenture and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Security Agreement, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement. The Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Secured Party, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Security Agreement. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Security Agreement with reference to the Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

All rights in the Collateral granted to the Agent herein are understood to be on behalf of and for the account of the Secured Parties, to be paid and accounted for pro rata to the indebtednesses hereby secured.

The Agent may execute any of its duties under this Security Agreement or by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that he selects with reasonable care.

Exculpatory Provisions. Neither the Agent nor his directors, agents or employees shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Secured Parties for any recital, statement, representation or warranty made by the Debtor or any subsidiary or affiliate of the Debtor, or any officer thereof, contained in this Agreement, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Security Agreement, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Security Agreement, or for any failure of the Debtor or any other party to perform its obligations hereunder or under the Restated Debentures. The Agent shall not be under any obligation to any Secured Party to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Security Agreement, or to inspect the properties, books or records of the Debtor or any of its subsidiaries or affiliates.

IN WITNESS WHEREOF, Debtor has caused this Agreement to be executed as of the day and year first above written.

**DEBTOR:**

**ARLASKY PERFORMANCE, INC.**

By: *Paul M. Arlasky*  
Title: PRESIDENT & CEO

**AGENT:**

By: *Paul M. Arlasky*  
Title: SECRETARY

**SECURED PARTIES:**

**JAMES A. JOHNSTON**  
By: *James A. Johnston*  
Title: \_\_\_\_\_

**LANE ELLIOTT**

By: *Lane Elliott*  
Title: \_\_\_\_\_

**MICHAEL HURLEY**

By: *Michael Hurley*  
Title: General Mgr.

## EXHIBIT B

1. Intellectual Property including without limitation patents, patents pending, designs, drawings, trademarks, inventions, know-how, test results, models, prototypes, and all rights and causes of action pertaining thereto, related to any and all applications of the performance exhaust and air intake technologies developed by the Debtor hereto and hereafter.
2. Applications for US Trademark registration owned by Arlasky Performance Inc.:
  - (a) ZOOMERS and Design for engine or motor mufflers in Class 7, Serial No. 78281648, filed July 31, 2004.
  - (b) ZOOMERS (word) for engine or motor mufflers in Class 7, Serial No. 78281378, filed July 31, 2003.
3. US Patent applications:
  - (a) ROTATABLE PROPELLER DRIVE ENGINE EXHAUST SYSTEM (formerly titled IMPROVED MUFFLERS) Serial No. 10623960, filed July 17, 2003, David F. Arlasky, inventor, assigned to Arlasky.
  - (b) IMPROVED EXHAUST SYSTEM Serial No. 10962923, filed October 12, 2004, Frank J. Arlasky, inventor, assigned to Arlasky.
4. Patent Convention Treaty patent application PCT/US2004/022638, filed July 14, 2004, claiming priority from above identified SN 10623960, for IMPROVED MUFFLER, David F. Arlasky, inventor, assigned to Arlasky.
5. Patent for Modular Muffler for Motor Vehicles - US patent No. 5,371,331, granted 06 December, 1994, Alan Wall investor, assigned to Arlasky.
6. Patents, Copyrights, Licenses and Trademarks as defined in this Agreement.

performance exhaust and air intake inventory now or hereafter owned by such Assignor and now or hereafter covered by such licenses (all of the foregoing is hereinafter referred to collectively as the "Licenses").

Debtor hereby also mortgages, pledges, assigns and grants to Agent a security interest, in, as and by way of a first mortgage and security interest having priority, all of Debtor's right, title and interest in and to all of the following, whether now owned or existing and filed or hereafter acquired or arising and filed: trademarks, servicemarks, trademark and service mark registrations, and tradenames, and all goodwill attendant thereto, including, without limitation, any servicemarks, trademarks and applications listed on said Exhibit "B", attached hereto and made a part hereof, and (A) all renewals thereof, (B) all income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including without limitation, damages and payments for past or future infringements thereof, (C) the right to sue for past, present and future infringements thereof, and (D) all rights corresponding thereto throughout the world (all of the foregoing servicemarks, trademarks, service mark and trademark registrations, servicemark and tradenames and applications together with the items described in clauses (A)-(D), are sometimes hereinafter individually and/or collectively referred to as the "Trademarks").

Debtor agrees that until all the Restated Debentures shall have been satisfied in full, Debtor will not, without Agent's prior written consent, enter into any agreement (including, without limitations, any license or royalty agreement) which is inconsistent with Debtor's obligations under this Security Agreement and the Restated Debentures, and the Debtor further agrees that it will not take any action, or permit any action to be taken by others, subject to its control, including licensees, or fail to take any action, which would affect the validity or enforcement of the rights of Debtor under this Security Agreement.

The Debtor hereby agrees that the use by Agent of all Patents, Copyrights, Licenses and Trademarks as described herein shall be worldwide and without any liability for royalties or other related charges from Agent to the Debtor. The term of the security interest granted herein shall extend until the earlier of (a) the expiration of each of the respective Patents, Copyrights, Licenses and Trademarks assigned hereunder, or (b) the date on which all Restated Debentures have been paid in full.

Debtor, Agent and Secured Parties acknowledge that filings as to the Collateral under the Uniform Commercial Code have been made on August 20, 2004 on behalf of certain of the Secured Parties. It is agreed that such filings shall remain of record, but that this Security Agreement shall control the rights of the parties in the event of a Default as herein defined, and the Original Security Interests shall be and are hereby subordinated hereto; provided, if for any reason the grants of security interests herein are not given full force and effect, the parties may, at Agent's sole election, choose to have all rights be governed by the Original Security Interests; in such event, the Agent shall marshal and distribute the net proceeds of the Collateral to all Secured Parties hereunder.

### Reliance by Agent.

The Agent shall be entitled to rely, and shall be fully protected in relying, upon any Restated Debenture, writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telecopy, telex, teletype or telephone message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper person or persons, and upon advice and statements of legal counsel (including counsel to the Debtor), independent accountants and other experts selected by the Agent. The Agent may deem and treat the payee of any Restated Debenture as the owner thereof for all purposes. The Agent shall be fully justified in failing or refusing to take any action under this Security Agreement unless it shall first receive such advice or concurrence of the Required Holders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Secured Parties against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Security Agreement in accordance with a request or consent of the Required Holders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Secured Parties.

The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default, unless the Agent shall have received written notice from a Secured Party or the Debtor referring to this Agreement, describing such Default and stating that such notice is a "notice of default". The Agent will notify the Secured Parties of its receipt of any such notice. The Agent shall take such action with respect to such Default as may be requested by the Required Holders in accordance herewith; provided, however, that unless and until the Agent has received any such request, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable or in the best interest of the Secured Parties.

The Secured Parties shall indemnify upon demand the Agent (to the extent not reimbursed by or on behalf of the Debtor and without limiting the obligation of the Debtor to do so), pro rata on the date such indemnification is sought in accordance with their relative percentages of ownership of the dollar amounts of Restated Debentures held by them immediately prior to such date, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time be imposed on, incurred by or asserted against the Agent, in any way relating to or arising out of, this Agreement, or any documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted by the Agent under or in connection with the foregoing; provided, however, that no Secured Party shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such person's gross negligence or willful misconduct. Without limitation of the foregoing, each Secured Party shall reimburse the Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including attorneys fees and expenses) incurred by the Agent in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) to the extent that the Agent is not reimbursed for such expense by or on behalf of the Debtor. The undertakings in this Section shall survive the payment of all obligations hereunder and the resignation or replacement of the Agent.

The Agent may be removed and, upon such removal or upon Agent's death or incapacity or resignation may be replaced, by action of a majority of the face amount of all Restated Debentures outstanding from time to time.

IN WITNESS WHEREOF, Debtor has caused this Agreement to be executed as of the day and year first above written.

**DEBTOR:**

**ARLASKY PERFORMANCE, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**AGENT:**

By: *[Signature]*  
Its: AGENT

**SECURED PARTIES:**

**JAMES A. JOHNSTON**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**LANE ELLIOTT**

By: *[Signature]*  
Title: Individual

**MICHAEL HURLEY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT C**

**RESTATED DEBENTURES**

<b>SERIES RD NUMBER</b>	<b>NAME</b>	<b>DATE OF ISSUANCE</b>	<b>DUE DATE</b>	<b>AMOUNT</b>	
1	Michael Hurley	12-21-2004	12-30-05 12-30-05	\$15,000.00	MH
2	Lane Elliott	12-21-2004	12-30-05	\$15,000.00	J
3	Michael Hurley	12-21-2004	12-30-05	\$15,000.00	MH
4	Lane Elliott	12-21-2004	12-30-05	\$10,000.00	J
5	Lane Elliott	12-21-2004	12-30-05	\$5,000.00	J
6	Lane Elliott	12-21-2004	12-30-05	\$10,000.00	J
7	Peter Murray	12-21-2004	12-30-05	\$25,000.00	
8	Brian Rogers	12-21-2004	12-30-05	\$25,000.00	
9	Mitchell Technology Investments, LLC	12-21-2004	12-30-05	\$50,000.00	
10	Lane Elliott	12-21-2004	12-30-05	\$15,000.00	J
11	James A. Johnston	12-21-2004	12-30-05	\$300,000.00	
12	James A. Johnston	12-21-2004	12-30-05	\$50,000.00	
13	James A. Johnston	12-21-2004	12-30-05	\$50,000.00	
14	Elliott & Company	12-21-2004	12-30-05	\$41,250.00	
15	James A. Johnston	12-21-2004	12-30-05	\$28,000.00	

## WARRANTIES AND GENERAL COVENANTS

Organization. The Debtor is a limited liability company organized under the laws of Nevada with a principal place of business in California. The Debtor's exact legal name is as set forth in the first paragraph of this Security Agreement.

Absence of Other Security Interests. Debtor hereby warrants that it has full title to the Collateral, free of all security interests, liens and encumbrances other than the security interest granted herein and the Original Security Interests. Debtor shall defend the Collateral against the claims and demands of all persons other than Agent and shall not do or permit anything to be done that may impair the value of the Collateral as collateral hereunder without the written consent of Agent.

Debtor agrees that until the Restated Debentures shall have been paid in full, Debtor will not, without Agent's prior written consent, enter into any agreement (including, without limitations, any license or royalty agreement) which is inconsistent with the Debtor's obligations under his Security Agreement and the Restated Debentures and the Debtor further agrees that it will not take any action, or permit any action to be taken by others, subject to its control, including licensees, or fail to take any action, which would affect the validity or enforcement of the rights of the Debtor under this Security Agreement.

The Debtor represents and warrants that the Patents, Copyrights, Licenses and Trademarks listed on Exhibit "B", constitute all of the patents, copyrights, license, trademarks and applications, now owned by the Debtor relating to performance exhaust and air intake. If, before the Restated Debentures shall have been paid in full, the Debtor shall (a) obtain rights to any new patentable inventions, trademarks, trademark registrations, tradenames, copyrights or licenses, or (b) become entitled to the benefit of any patent or trademark or copyright application (excluding applications for U.S. federal registration of marks filed under 15 U.S.C. 1051(b) and in which no amendment to allege use under 15 U.S.C. 1051(b) or statement of use under 15 U.S.C. (d) has been filed), trademark, trademark registration, copyright or license renewal, or patent application for any reissue, division, continuation, renewal, extension, or continuation-in-part of any Patent or any improvement on any Patent, the provisions above shall automatically apply thereto and Debtor shall give to Agent prompt written notice thereof. Debtor hereby authorizes Agent to modify this Security Agreement by amending Exhibit "B", as applicable, to include any future patents, patent applications, trademarks, trademark registrations, trademark applications, tradenames, copyrights and licenses which are Patents, Copyrights, Licenses or Trademarks, as applicable, under any provision above or under this paragraph. The Debtor hereby agrees to provide to the Agent such assignment or other documentation as Agent may request to record the Agent's lien on such future Patents, Copyrights, Licenses or Trademarks. The Agent shall have the right, at any time and from time to time, to inspect the Debtor's premises and to examine the Debtor's books, records, and processes for the limited purposes of enforcement of the within Agreement. The Debtor agrees (a) not to sell or assign its interest in, or grant any license under, the Patents, Copyrights, Licenses or Trademarks, without the prior written consent of the Agent; (b) to provide Agent, upon request, with a certificate of an officer of the Debtor certifying the Debtor's compliance with the foregoing.

The Debtor shall have the duty (a) to prosecute diligently any patent, trademark and copyright application pending as of the date hereof or thereafter until all the Restated Debentures shall have been paid in full, (b) to make application on unpatented but patentable inventions and on trademarks and



## RESTATED DEBENTURES

The Secured Parties and the Debtor agree that the statement of issued and outstanding Restated Debentures attached hereto as Exhibit C is a true correct and complete restatement of such debenture of the Debtor as reconstructed, and that each party shall be bound thereby and that the Agent, in exercising any rights hereunder may recognize the same as true, correct and complete notwithstanding any difference between such Restated Debenture and the Original Debenture that it seeks to restate or any indebtedness that it was intended to memorialize, or any other matter.

The parties agree that no additional Restated Debentures shall be issued by the Debtor after the date hereof except (i) as may be permitted by the Restated Debentures, (ii) to James A. Johnston or his affiliated companies, who or which may purchase additional Debentures and share pro rata the rights created herein in the Collateral, and (iii) to Elliott and Company, which may receive Restated Debentures in lieu of cash payment of fees under a certain agreement between it and the Debtor dated September 16, 2003.

## MISCELLANEOUS


Notices. Any notice that the Agent, the Debtor or any Secured Party may desire or be required to give to the other such party shall be in writing and shall be mailed or delivered to the intended recipient thereof at its address hereinabove or on the books and records of the Debtor set forth, or at such other address as such intended recipient may, from time to time, by notice in writing, designate to the sender pursuant hereto by Certified United States Mail, return receipt requested, or by any national courier service offering evidence of delivery such as FedEx, UPS or DHL, or by facsimile transmission offering acknowledgement of receipt and shall be effective when received (or receipt refused).

Governing Law; Litigation. The principal office of the Debtor being the State of California, this Agreement shall be construed and enforced according to the laws of that State (without giving effect to choice of law principles), except as to matters controlled by the Nevada Uniform Commercial Code. **TO THE MAXIMUM EXTENT PERMITTED BY LAW, DEBTOR HEREBY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND DETERMINED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, OR AT THE SOLE OPTION OF AGENT, IN ANY OTHER COURT IN WHICH AGENT SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. TO THE MAXIMUM EXTENT PERMITTED BY LAW, DEBTOR HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS PARAGRAPH.**


Indemnity. Each Secured Party agreed to perform and observe the indemnity obligation set forth in each Restated Debenture issued to him, her or it.

Rights and Remedies. All rights and remedies set forth in this Agreement are cumulative, and the Agent may recover judgment thereon, issue execution therefor, and resort to every other right or

**PETER MURRAY**

By:   
Title: \_\_\_\_\_

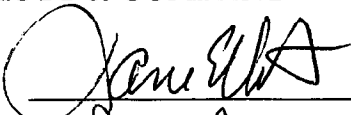
**BRIAN ROGERS RODGERS**

By:   
Title: \_\_\_\_\_

**MITCHELL TECHNOLOGY INVESTMENTS**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**ELLIOTT & COMPANY**

By:   
Title: President

copyrights, as appropriate, and (c) to preserve and maintain all rights in patent applications and patents of the Patents, in trademark applications, trademarks and trademark registrations of the Trademarks and in copyright applications and copyrights of the Copyrights. Any expenses incurred in connection with such applications shall be borne by the Debtor.

Use of Collateral. Until a "Default" (as that term is hereinafter defined) Debtor shall use the Collateral solely for business purposes in connection with the operation of the business of the Debtor.

Maintenance of Agent's Lien.

The Debtor agrees to cooperate and join, at its expense, with the Agent in taking such steps as are necessary, in the Agent's judgment, to perfect or continue the perfected status of the security interests granted hereunder, including, without limitation, the execution and delivery of any financing statements, amendments thereto and continuation statements, the delivery of Chattel Paper, Documents or Instruments as defined in the Uniform Commercial Code now or hereafter in effect to the Agent, the notation of encumbrances in favor of the Agent on certificates of title or the equivalent, and the execution and filing of any pledges, collateral assignments and any other instruments requested by the Agent to perfect its security interest.

The Agent may at any time and from time to time, file financing statements, continuation statements and amendments thereto that describe the Collateral in particular which contain any other information required by the Uniform Commercial Code or by the Patent and Trademark Office 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 organization identification number issued to the Debtor and may file any and all patent assignments. The Debtor agrees to furnish any such information to the Agent promptly upon request. Any such financing statements, continuation statements or amendments may be signed by the Agent on behalf of the Debtor or filed without signature, and may be filed at any time in any jurisdiction whether or not Revised Article 9 of the Uniform Commercial Code is then in effect in that jurisdiction.

The Debtor shall otherwise at any time and from time to time, take such steps as the Agent may require for the Agent to insure the continued perfection and priority of the Agent's security interest in any of the Collateral and of the preservation of its rights therein.

Payment of Taxes on Collateral. Debtor shall cause all taxes and assessments on the Collateral or on their use or operation to be paid when due.

Agent's Right to Perform Covenants. Agent may, from time to time at its election, pay any amount or perform any act that Debtor has agreed to do hereunder and that Debtor shall have failed to do. All moneys so advanced and expenses so incurred by Agent shall be immediately due and payable, shall be added ratably to the principal amount of the Restated Debentures, shall bear interest at the rate provided in the Restated Debentures and shall be secured by this Agreement as though originally part of the Restated Debentures.

Power of Attorney. The Debtor hereby appoints the Agent as its lawful attorney-in-fact to do, at the Agent's option, and at the Debtor's expense and liability, all acts and things which the Agent may deem necessary or desirable to effectuate its rights under this Security Agreement, including

remedy available at law or in equity, without first exhausting and without affecting or impairing the security of any right or remedy afforded hereby. Unless expressly provided in this Agreement to the contrary, no consent or waiver, whether express or implied, by any party to or of any breach or default by any other party in the performance by such other party of its obligations hereunder shall be deemed a consent to or waiver of the performance of any other obligation hereunder.

Interpretation. If any provision of this Agreement, or any paragraph, sentence, clause, phrase or word, or the application thereof, in any circumstance, is held invalid, the validity of the remainder of this Agreement shall be construed as if such invalid part were never included herein. The headings of sections and paragraphs in this Agreement are for convenience of reference only and shall not be construed in any way to limit or define the content, scope or intent of the provisions hereof. As used in this Agreement, the singular shall include the plural and vice versa, and masculine, feminine and neuter pronouns shall be fully interchangeable, when the context so requires.

Successors and Assigns. This Agreement and all provisions hereof shall be binding upon Debtor and its successors, assigns and legal representatives, and all other persons or entities claiming under or through Debtor, and the word "Debtor", when used herein, shall include all such persons and entities and any others liable for the payment of the indebtedness secured hereby or any part thereof, whether or not they have executed any Restated Debenture or this Agreement. The word "Agent," when used herein, shall include Agent's successors, assigns and legal representatives. The words "Secured Parties" shall include such person's successors, assigns, heirs and legal representatives.

Jury Waiver. **TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH OF DEBTOR AND AGENT (FOR HIMSELF AND ALL SECURED PARTIES) HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY ACTION, CAUSE OF ACTION, CLAIM, DEMAND, OR PROCEEDING ARISING UNDER OR WITH RESPECT TO THIS AGREEMENT OR THE RESTATED DEBENTURES, OR IN ANY WAY CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE DEALINGS OF DEBTOR AND AGENT WITH RESPECT TO THIS AGREEMENT OR THE RESTATED DEBENTURES, OR THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE. TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH OF DEBTOR AND AGENT HEREBY AGREES THAT ANY SUCH ACTION, CAUSE OF ACTION, CLAIM, DEMAND OR PROCEEDING SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY AND THAT DEBTOR OR AGENT MAY FILE A COPY OF THIS AGREEMENT WITH ANY COURT OR OTHER TRIBUNAL AS WRITTEN EVIDENCE OF THE CONSENT OF EACH OF DEBTOR AND AGENT TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.**

(Signatures on following page.)

**PETER MURRAY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**BRIAN ROGERS**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**MITCHELL TECHNOLOGY INVESTMENTS, LLC**

By:  \_\_\_\_\_

Title: \_\_\_\_\_

**ELLIOTT & COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_