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Form PTO-1594 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005) Tab settings

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

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

1. Name of conveying party(ies):

Davex Labs, LLC

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

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

3. Nature of conveyance:

- Assignment Merger Security Agreement Change of Name Other

Execution Date: 03/07/2005

2. Name and address of receiving party(ies)

Name: Lanza Research International, Inc.

Internal

Address:

Street Address: 1440 Caballero Road

City: Arcadia State: CA Zip: 91006

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

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No (Designations must be a separate document from assignment) Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s) 1,565,350

1,922,791

Additional number(s) attached Yes No

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

Name: Donald M. Cislo, Esq.

Internal Address: Cislo & Thomas, LLP

Street Address: 233 Wilshire Blvd., Suite 900

City: Santa Monica State: CA Zip: 90401-1211

6. Total number of applications and registrations involved:

2

7. Total fee (37 CFR 3.41): \$ 65.00

- Enclosed Authorized to be charged to deposit account

8. Deposit account number:

03-2030

DO NOT USE THIS SPACE

9. Signature.

Donald M. Cislo, Esq.

Name of Person Signing

Signature

Date 4/29/05

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

15

05/11/2005 INBYRNE 00000139 1565350

Mail documents to be recorded with required cover sheet information to: Commissioner of Patent & Trademarks, Box Assignments Washington, D.C. 20231

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40.00 OP 25.00 OP



05-05-2005

U.S. Patent & TMOfc/TM Mail Rcpt Dt. #77

TRADEMARK REEL: 003158 FRAME: 0696

# NEW SECURITY AGREEMENT

**Grantor:**

DAVEX LABS, LLC,  
429 Santa Monica Blvd., Suite 510  
Santa Monica, CA 90401  
Attention: David Berglass  
Facsimile No. (310) 393-6546

**Secured Party:**

LANZA RESEARCH INTERNATIONAL, INC.  
C/o Robert De Lanza  
1440 Caballero Road  
Arcadia, CA 91006  
Attention: Robert De Lanza  
Facsimile No. (626) 836-4850

THIS NEW SECURITY AGREEMENT dated March 7, 2005 ("Agreement"), is made and executed among DAVEX LABS, LLC ("Grantor"); and LANZA RESEARCH INTERNATIONAL, INC. ("Secured Party").

**GRANT OF SECURITY INTEREST.** For valuable consideration, Grantor grants to Secured Party a security interest in the Collateral to secure the payment of all sums due under that certain Secured Note executed contemporaneously herewith in the principal sum of \$1,300,000.00 (hereinafter "Payment Obligation") and agrees that Secured Party shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Secured Party may have by law.

**COLLATERAL DESCRIPTION.** The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Secured Party a security interest for the payment of the Payment Obligation and performance of all other obligations under this Agreement:

All personal property of Grantor, including without limitation each and all of the following: Chattel paper, the Goodwill, the Accounts; the Inventory, the General Intangibles; the negotiable Collateral; Grantor's Books; all Grantor's deposit accounts; all Grantor's investment property (including without limitation securities and securities entitlements); all goods, instruments, documents, policies and certificates of insurance, deposits, money or other personal property of Grantor in which Secured Party receives a security interest and which now or later come into the possession, custody or control of Secured Party; all Grantor's equipment and fixtures; all additions, accessions, attachments, parts, replacements, substitutions, renewals, interest, dividends, distributions or rights of any kind for or with respect to any of the foregoing (including without limitation any stock splits, stock rights, voting rights and preferential rights); any supporting obligations for any of the foregoing; and the products and proceeds of any of the foregoing, including, but not limited to, proceeds of insurance covering the Collateral; any and all Accounts, General Intangibles (including, without limitation, tax and duty refunds, registered and unregistered patents, trademarks, trade names, all formulas, know-how, mixtures and mixing instructions, service marks, copyrights, trade names and applications for the foregoing, trade secrets, goodwill, processes, drawings, blueprints, customer lists, licenses, whether as licensor or licensee, choses in action and other claims, and existing and future leasehold interests in equipment and fixtures),

**Negotiable Instruments, inventory, equipment, money, deposit accounts, investment property, equipment, fixtures or other tangible and intangible property of Grantor resulting from the sale or other disposition of the Collateral and the proceeds thereof and any supporting obligations or security therefore and any right to payment thereunder, and including, without limitation, cash or other property which were proceeds and are recovered by a bankruptcy trustee or otherwise as a preferential transfer by Grantor. Notwithstanding anything to the contrary contained herein, Collateral shall not include any waste or other materials which have been or may be designated as toxic or hazardous by Secured Party.**

In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (A) All accessions, attachments, accessories, tools, parts, supplies, replacements of and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

Despite any other provision of this Agreement, Secured Party is not granted, and will not have, a non-purchase money security interest in household goods, to the extent such a security interest would be prohibited by applicable law.

**GRANTOR'S WAIVERS.** Except as prohibited by applicable law, Grantor waives any right to require Secured Party to: (A) make any presentment, protest, demand, or notice of any kind, including notice of change of any terms of repayment of the Payment Obligation, default by any other guarantor or surety, any action or nonaction by Secured Party or any other guarantor or surety of Grantor, or the creation of new or additional Payment Obligation; (B) proceed against any person, before proceeding against Grantor or (C) take any action to enforce its rights under this Agreement.

Grantor also waives any and all rights or defenses arising by reason of (A) any disability or other defense of any other guarantor or surety or any other person; (B) the cessation from any cause whatsoever, other than payment in full, of the Payment Obligation; (C) any act of omission or commission by Secured Party which directly or indirectly results in or contributes to the discharge of any other guarantor or surety, or the Payment Obligation, or the loss or release of any collateral by operation of law or otherwise; (D) any change in terms of the Payment Obligation, whatsoever,

including without limitation, the renewal, extension, acceleration, or other change in the time payment of the Payment Obligation is due and any change in the interest rate or (E) any delay or other act of omission by the Secured Party with respect to the enforcement of its rights in the Collateral.

Grantor understands and agrees that the foregoing waivers are unconditional and irrevocable waivers of substantive rights and defenses to which Grantor might otherwise be entitled under state and federal law. Grantor further understands and agrees that this Agreement is a separate and independent contract between Grantor and Secured Party, given for full and ample consideration, and is enforceable on its own terms. Grantor acknowledges that Grantor has provided these waivers of rights and defenses with the intention that they be fully relied upon by Secured Party. Until the Payment Obligation is paid in full, Grantor waives any right to enforce any remedy Grantor may have against any other guarantor, surety, or other person with respect to the Payment Obligation, and further, Grantor waives any right to participate in any collateral for the Payment Obligation now or hereafter held by Secured Party.

#### **GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL.**

With respect to the Collateral, Grantor represents and promises to Secured Party that:

**Perfection of Security Interest.** Grantor agrees to take whatever actions are reasonably requested by Secured Party to perfect and continue Secured Party's security interest in the Collateral. Subject to the prior right of any permitted senior secured party, upon request of Secured Party, Grantor will deliver to Secured Party any and all of the documents evidencing or constituting the Collateral, and Grantor will note Secured Party's interest upon any and all chattel paper if not delivered to Secured Party for possession by Secured Party.

**Notices to Secured Party.** Grantor will, within thirty (30) days, notify Secured Party in writing at Secured Party's address shown above (or such other addresses as Secured Party may designate from time to time) prior to any: (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in Grantor's principal office address; (4) change in Grantor's state of organization; (5) conversion of Grantor to a new or different type of business entity; or (6) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Secured Party. No change in Grantor's name or state of organization will take effect until after Secured Party has received notice

**No Violation.** The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party, and its certificate or articles of incorporation and bylaws do not prohibit any term or condition of this Agreement.

**Location of the Collateral.** Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral at either (i) Grantor's address shown above, 429 Santa Monica Blvd., Suite 510, Santa Monica, CA, 90401, (ii) Davexlabs Warehouse, 370 Turnbull Canyon, City of Industry, CA 91745, (iii) Westwood Laboratories, 710 South Ayon Ave., Azusa, CA 9102, (iv) Bocchi Laboratories, 20465 East Walnut Dr., Walnut, CA 91789, (v) Schoeneman, 210 Industrial Park Rd., St. Clair, PA, 17970 or at such other locations as are acceptable to Secured Party. Upon Secured Party's request, Grantor will deliver to Secured Party in form satisfactory to Secured Party a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

**Removal of the Collateral.** Except in the ordinary course of Grantor's business, including the sales of inventory, Grantor shall not remove the Collateral from its existing location without Secured Party's prior written consent. To the extent that the Collateral consists of vehicles, or other titled property, Grantor shall not take or permit any action which would require application for certificates of title for the vehicles outside the State of California, without Secured Party's prior written consent. Grantor shall, whenever requested, advise Secured Party of the exact location of the Collateral.

**Transactions Involving Collateral.** Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. Until an Event of Default has occurred and for so long as it is continuing, Grantor may sell inventory, but only in the ordinary course of its business and only to buyers who qualify as a buyer in the ordinary course of business and may dispose of worn out, obsolete and excess Collateral. A sale in the ordinary course of Grantor's business does not include a transfer in partial or total satisfaction of a debt or any bulk sale. Except for Permitted Liens, Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Secured Party. This includes security interests even if junior in right to the security interests granted under this Agreement. Following an Event of Default and during the continuance thereof, and unless waived by Secured Party, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Secured Party and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Secured Party to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Secured Party.

**Repairs and Maintenance.** Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral, except to the extent challenged in good faith.

**Inspection of Collateral.** Secured Party and Secured Party's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

**Taxes, Assessments and Liens.** Grantor will pay prior to delinquency all taxes, assessments and liens upon the Collateral. Grantor may withhold any such tax assessments payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Secured Party's interest in the Collateral is not jeopardized in Secured Party's sole opinion. If the Collateral is subjected to a lien, other than a Permitted Lien, which is not discharged within thirty (30) days, Grantor shall deposit with Secured Party cash, a sufficient corporate surety bond or other security satisfactory to Secured Party in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Secured Party and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Secured Party as an additional obligee under any surety bond furnished in

the contest proceedings. Grantor further agrees to furnish Secured Party with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Secured Party's interest in the Collateral is not jeopardized.

**Maintenance of Casualty Insurance.** Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Secured Party may reasonably require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Secured Party and which are maintained by similarly situated businesses and issued by a company or companies reasonably acceptable to Secured Party. Grantor, upon request of Secured Party, will deliver to Secured Party from time to time the policies or certificates of insurance in form satisfactory to Secured Party, including stipulations that coverages will not be cancelled or diminished without at least thirty (30) days' prior written notice to Secured Party ((10) days' for non-payment of premises). If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Secured Party may (but shall not be obligated to) obtain such insurance as Secured Party deems appropriate, including if Secured Party so chooses "single interest insurance," which will cover only Secured Party's interest in the Collateral.

**Application of Insurance Proceeds.** Grantor shall promptly notify Secured Party of any material loss or damage to the Collateral. Secured Party may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, in excess of \$100,000 shall be held by Secured Party as part of the Collateral. So long as no Event of Default shall have occurred and be outstanding, Secured Party shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If following an Event of Default and during the continuance thereof, Secured Party does not consent to repair or replacement of the Collateral, Secured Party shall retain a sufficient amount of the proceeds to pay all of the Payment Obligation, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Payment Obligation.

**Financing Statements.** Grantor authorizes Secured Party to file a UCC-1 financing statement, or alternatively, a copy of this Agreement to perfect Secured Party's security interest or make other recordings including but not limited to filings with the Patent and Trademark office. At Secured Party's reasonable request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Secured Party's security interest in the Collateral. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Secured Party is required by law to pay such fees and costs. Grantor irrevocably appoints Secured Party to execute documents of title in Grantor's name and to execute all documents necessary to transfer title if there is an Event of Default. If Grantor changes Grantor's name or address, or the name or address of any person granting a security interest under this Agreement changes, Grantor will promptly notify the Secured Party of such change.

**GRANTOR'S RIGHT TO POSSESSION.** Until an Event of Default, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement, provided that Grantor's right to possession and

beneficial use shall not apply to any Collateral where possession of the Collateral by Secured Party is required by law to perfect Secured Party's security interest in such Collateral. If Secured Party at any time has possession of any Collateral, whether before or after an Event of Default, Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Secured Party takes such action for that purpose as Grantor shall request or as Secured Party would take with respect to its own property, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Secured Party shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Payment Obligation.

**SECURED PARTY'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Secured Party's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement, Secured Party on Grantor's behalf may upon reasonable prior written notice to Grantor (but shall not be obligated to) take any action that Secured Party deems appropriate, in its commercially reasonable discretion, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenses will become a part of the Payment Obligation and, at Secured Party's option, will (A) be payable on demand; or (B) be apportioned among and be payable with any deferred installment payments to become due. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Secured Party may be entitled upon an Event Default.

**DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

**Payment Default.** Grantor fails to make any payment when due under the Payment Obligation (after expiration of any applicable notice or cure period).

**Other Defaults.** Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in the Settlement Agreement or any other Related Documents and such failure shall remain uncured following five (5) days written notice to Grantor.

**False Statements.** Any warranty, representation or statement made or furnished to Secured Party by Grantor or on Grantor's behalf under this Agreement or in the Settlement Agreement is false or misleading in any material respect, either now or at the time made or furnished.

**Defective Collateralization.** This Agreement or the Settlement Agreement ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien in favor of Secured Party) at any time and for any reason.

**Insolvency.** The Grantor shall commence (i) a voluntary case under any applicable bankruptcy, insolvency or other similar law or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment of a receiver, liquidator, custodian or trustee for any substantial part of the property of the Grantor or the Grantor shall make any general assignment for the benefit of creditors or (ii) an involuntary case shall be commenced against the Grantor seeking liquidation, reorganization or other relief with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law and such case shall remain unstayed and undismissed for a period of sixty (60) days.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any Collateral securing the Payment Obligation. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and provided Grantor gives Secured Party written notice of the creditor or forfeiture proceeding and provided deposits with Secured Party monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Secured Party, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Cure Provisions.** Except as may be expressly provided in the Secured Note, if any default, including a default in payment, is curable and if Grantor has not been given a notice of a breach of the same provision of this Agreement within the preceding four (4) months, it may be cured (and no event of default will have occurred) if Grantor, after receiving written notice from Secured Party demanding cure of such default: (1) cures the default within ten (10) days; or (2) if the cure requires more than ten (10) days, promptly initiates steps which Secured Party deems in Secured Party's commercially reasonable discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

**RIGHTS AND REMEDIES ON DEFAULT.** If an Event of Default occurs under this Agreement, at any time thereafter, Secured Party shall have all the rights of a secured party under the California Uniform Commercial Code. In addition and without limitation, Secured Party may exercise any one or more of the following rights and remedies:

**Accelerate Payment Obligation.** Secured Party may declare the entire Payment Obligation immediately due and payable.

**Assemble Collateral.** Secured Party may require Grantor to deliver to Secured Party all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Secured Party may require Grantor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party. Secured Party also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Secured Party may take such other goods, provided that Secured Party makes reasonable efforts to return them to Grantor after repossession.

**Sell the Collateral.** Secured Party shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Secured Party's own name or that of Grantor. Secured Party may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will give Grantor, and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall



become a part of the Payment Obligation secured by this Agreement and shall be payable on demand.

**Appoint Receiver.** Secured Party shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the Rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Payment Obligation. The receiver may serve without bond if permitted by law. Secured Party's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Payment Obligation by a substantial amount. Employment by Secured Party shall not disqualify a person from serving as a receiver.

**Collect Revenues, Apply Accounts.** Secured Party, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Secured Party may at any time in Secured Party's discretion transfer any Collateral into Secured Party's own name or that of Secured Party's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Payment Obligation or apply it to payment of the Payment Obligation in such order of preference as Secured Party may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Secured Party may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Secured Party may determine, whether or not Payment Obligation or Collateral is then due. For these purposes, Secured Party may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Secured Party may notify account debtors and obligors on any Collateral to make payments directly to Secured Party.

**Obtain Deficiency.** If Secured Party chooses to sell any or all of the Collateral, Secured Party may obtain a judgment against Grantor for any deficiency remaining on the Payment Obligation due to Secured Party after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

**Other Rights and Remedies.** Secured Party shall have all the rights and remedies of a secured creditor under the provisions of the California Commercial Code, as may be amended from time to time. In addition, Secured Party shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

**Election of Remedies.** Except as may be prohibited by applicable law, all of Secured Party's rights and remedies, whether evidenced by this Agreement or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Secured Party to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Secured Party's right to declare a default and exercise its remedies.

**COLLATERAL SCHEDULES AND FINANCIAL STATEMENTS.** As often as Secured Party shall reasonably request, and insofar as the Collateral consists of accounts and general intangibles,

Grantor shall deliver to Secured Party, within a reasonable period of time (not to exceed 30 days), schedules of such Collateral, including such information as Secured Party may reasonably require, including without limitation names and addresses of account debtors and agings of accounts and general intangibles and such quarterly financial statements that are actually given to any secured lender of Grantor, other than Caltius, contemporaneous with their being provided to such other secured lenders. Insofar as the Collateral consists of inventory and equipment, Grantor shall deliver to Secured Party, as often as Secured Party shall require, such lists, descriptions, and designations of such Collateral as Secured Party may require to identify the nature, extent, and location of such Collateral. Such information shall be submitted for Grantor and each of its subsidiaries or related companies.

**TERMINATION.** This Agreement shall terminate upon payment in full of the Payment Obligation. Upon such payment, the Secured Party shall promptly file appropriate financing statement terminations and return any Collateral in its possession.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:

**Amendments.** This Agreement constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Grantor agrees to pay upon demand all of Secured Party's actual and reasonable costs and expenses, including Secured Party's attorneys' fees and Secured Party's legal expenses, incurred in connection with the enforcement of this Agreement. Secured Party may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Secured Party's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings; Counterparts.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Facsimile transmission of any signed original document, and retransmission of any facsimile transmission, shall be the same as delivery of any original document. At the request of any party, the other parties shall confirm facsimile transmitted signatures by signing an original document.

**Governing Law.** This Agreement will be governed by, construed and enforced in accordance with federal law and the laws of the State of California. This Agreement has been accepted by Secured Party in the State of California.

**Preference Payments.** Any monies Secured Party pays because of an asserted preference claim in Grantor's bankruptcy will become a part of the Payment Obligation and, at Secured Party's option, shall be payable by Grantor as provided therein.

**No Waiver by Secured Party.** Secured Party shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right shall operate as a waiver of such right or any other right. A waiver by Secured Party of a provision of this Agreement shall not prejudice or constitute a waiver of Secured Party's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Secured Party, nor any course of dealing between Secured Party and Grantor, shall constitute a waiver of any of Secured Party's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Secured Party is required under this Agreement, the granting of such consent by Secured Party in any instance shall not constitute continuing consent to subsequent instances where such consent is required, and in all cases such consent may be granted or withheld in the sole discretion of Secured Party.

**Notices.** Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered (i) if delivered personally to a party hereto or to an officer of the party to whom the same is directed as of the date so delivered, (ii) on the first business day, when actually received by telefacsimile (unless otherwise required by law), (iii) on the first business day following the date when deposited with a nationally recognized overnight courier, or, (iv) if mailed, three business days following the date when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Secured Party informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Secured Party to any Grantor is deemed to be notice given to all Grantors.

**Power of Attorney.** Grantor hereby appoints Secured Party as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Secured Party may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Secured Party for all expenses for the perfection and the continuation of the perfection of Secured Party's security interest in the Collateral.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

**Successors and Assigns.** Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Secured Party, without notice to Grantor, may deal with Grantor's successors

with reference to this Agreement and the Payment Obligation by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Payment Obligation.

**Survival of Representations and Warranties.** All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as the Payment Obligation shall be paid in full.

**Time is of the Essence.** Time is of the essence in the performance of this Agreement.

**Further Assurances.** Grantor agrees that from time to time, at the expense of Grantor, it will, within a reasonable period of time, execute and deliver all further instruments and documents, and take all further action, that may be reasonably necessary or desirable, or that Secured Party may reasonably request in writing, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the California Commercial Code:

**Agreement.** The word "Agreement" means this New Security Agreement, as this New Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this New Security Agreement from time to time.

**Asset Purchase Agreement.** "Asset Purchase Agreement" means that certain Asset Purchase Agreement dated as of July 3, 2003, by and among the Grantor, Robert De Lanza, the Secured Party and the other parties thereto.

**Collateral.** The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

**Default.** The word "Default" means the Default set forth in this Agreement in the section titled "Default".

**Environmental Laws.** The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., Chapters 6.5 through 7.7 of Division 20 of the California Health and Safety Code, Section 25100, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

**Event of Default.** The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

**Grantor.** The word "Grantor" means DAVEX LABS, LLC, a Delaware limited liability company.

**Hazardous Substances.** The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

**Payment Obligation.** The word "Payment Obligation" means any and all of the obligations as set forth in the Secured Note executed contemporaneously herewith by Grantor in favor of Secured Party in the principal sum of \$1,300,000.00, together with all other costs and expenses for which Grantor is responsible under this Agreement.

**Permitted Liens.** The word "Permitted Liens" means: (i) Liens at any time granted in favor of Secured Party; (ii) Liens for taxes, assessments or governmental charges not yet delinquent, or being contested in good faith; (iii) Liens arising in the ordinary course of the business of Grantor by operation of law or regulation, but only if payment in respect of any such Lien is not at the time required or is being contested in good faith and such Liens do not, in the aggregate, materially detract from the value of the Property of Grantor or materially impair the use thereof in the operation of the business of Grantor; (iv) Purchase Money Liens securing Purchase Money Indebtedness; (v) such other Liens as disclosed to Secured Party hereto and acknowledged in writing by Secured Party and any renewals/extensions or amendments thereof, provided that the obligations secured or benefited thereby are not increased and such Liens are not extended beyond their scope from that existing on the date hereof, except as expressly permitted in the Settlement Agreement; (vi) Liens incurred or deposits made in the ordinary course of business in connection with (1) worker's compensation, social security, unemployment insurance and other like laws or (2) sales contracts, leases, statutory obligations, work in progress advances and other similar obligations not incurred in connection with the borrowing of money or the payment of the deferred purchase price of property; (vii) reservations, covenants, zoning and other land use regulations, title exceptions or encumbrances granted in the ordinary course of business, affecting real Property owned or leased by Grantor; provided that such exceptions do not in the aggregate materially interfere with the use of such Property in the ordinary course of Grantor's business; and (viii) such other Liens as Secured Party may hereafter approve in writing. By executing this Agreement, Secured Party hereby acknowledges the existing liens on the Collateral in favor of (i) Celtic Capital Corporation and (ii) Caltius Private Equity Partners I, LP, each of which shall be a Permitted Lien, as well as any future liens on the Collateral in respect of senior secured borrowings by Grantor, whether from such lenders or in favor of other secured lenders, that are expressly permitted by the Settlement Agreement.

**Property.** The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

**Purchase Money Indebtedness.** The word "Purchase Money Indebtedness" means and includes (i) indebtedness for the payment of all or any part of the purchase price of any fixed assets from an arms-length seller of fixed assets, but not including Caltius or any of its affiliates; (ii) any indebtedness incurred at the time of or within thirty (30) days prior to or after the acquisition of any fixed assets for the purpose of financing all or any part of the purchase price thereof from an arms-length seller of fixed assets but not including Caltius or any of its affiliates; and (iii) any renewals, extensions or refinancings thereof, but not any increases in the principal amounts thereof outstanding at the time.

**Purchase Money Lien.** The word "Purchase Money Liens" means a Lien upon fixed assets which secures Purchase Money Indebtedness, but only if such Lien shall at all times be confined solely to the fixed assets the purchase price of which was financed through the incurrence of the Purchase Money Indebtedness secured by such Lien.

**Related Documents.** The words "Related Documents" mean all promissory notes, loan agreements, security agreements and all other instruments, agreements and documents, whether now or hereafter existing, executed by and between the Grantor and the Secured Party in connection with the Payment Obligation and/or the Settlement Agreement.


**Secured Party.** The word "Secured Party" means LANZA Research International, Inc., its successors and permitted assigns.

**Settlement Agreement.** "Settlement Agreement" means that certain Settlement Agreement and Release dated as of March 7, 2005, by and between the Grantor, the Secured Party and others.

**GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS SECURITY AGREEMENT AND AGREE TO ITS TERMS. THIS AGREEMENT IS DATED MARCH 7, 2005.**


**GRANTOR:**

DAVEX LABS, LLC, a Delaware limited liability company.

By:   
David Berglass  
Its: CEO & President

**SECURED PARTY:**

LANZA RESEARCH INTERNATIONAL, INC., a California corporation

By:   
Its: CEO

**COLLATERAL TO INCLUDE**

**MARK**

**REGISTRATION NUMBER**

L'ANZA

1,565,350

ROBERT DE LANZA

1,922,791