

Form PTO-1594 (Rev. 07/05)
OMB Collection 0851-0027 (exp. 6/30/2008)

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

RECORDATION FORM COVER SHEET TRADEMARKS ONLY

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies):
Energex Pellet Fuel, Inc., a Canadian corporation, and Energex Properties, Ltd., a Delaware corporation

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

Citizenship (see guidelines) _____

Additional names of conveying parties attached? Yes No

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

Execution Date(s) March 30, 2007

- Assignment Merger
- Security Agreement Change of Name
- Other _____

2. Name and address of receiving party(ies)

Additional names, addresses, or citizenship attached? Yes No

Name: EPF Lender, L.P.

Internal Address: SUITE 675

Street Address: 2929 Arch Street

City: Philadelphia

State: PA

Country: USA Zip: 19104

- Association Citizenship _____
- General Partnership Citizenship _____
- Limited Partnership Citizenship Delaware
- Corporation Citizenship _____
- Other _____ Citizenship _____

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)

4. Application number(s) or registration number(s) and identification or description of the Trademark.

A. Trademark Application No.(s)

B. Trademark Registration No.(s) 1,797,465
1,814,323, and 3,026,517

Additional sheet(s) attached? Yes No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

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

Name: Daniel P. O'Brien

Internal Address: Klehr, Harrison, Harvey,
Bransburg & Ellers, LLP

Street Address: 260 S. Broad Street

City: Philadelphia

State: PA Zip: 19102

Phone Number: 215-568-6060

Fax Number: 215-568-6603

Email Address: dobrien@klehr.com

6. Total number of applications and registrations involved: 3

7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 90

- Authorized to be charged by credit card
- Authorized to be charged to deposit account
- Enclosed

8. Payment Information:

a. Credit Card Last 4 Numbers _____
Expiration Date _____

b. Deposit Account Number 501555
Authorized User Name Albert T. Keyack

9. Signature: Albert T. Keyack

Signature

April 4, 2007
Date

Albert T. Keyack

Name of Person Signing

Total number of pages including cover sheet, attachments, and document: 27

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

KHH #13863-0019

CH \$90.00 501555 1797465

Execution version

INTELLECTUAL PROPERTY SECURITY AGREEMENT

THIS INTELLECTUAL PROPERTY SECURITY AGREEMENT is entered into as of March 30, 2007, by and among ENERGEX PELLET FUEL INC./GRANULES COMBUSTIBLES ENERGEX INC., a Canadian corporation ("Borrower"), ELEMENT BIOFUELS ACQUISITION CORP., a Delaware corporation ("Buyer"), ENERGEX, INC., a New Hampshire corporation ("Energex NH"), ENERGEX AMERICAN, INC., a Pennsylvania corporation ("Energex American"), ENERGEX PROPERTIES, LTD., a Delaware corporation (collectively with Buyer, Energex NH and Energex American, "Guarantors"), and EPF LENDER, L.P., a Delaware limited partnership ("Lender").

RECITALS

Borrower and Lender are parties to a Loan and Security Agreement, dated as of March 28, 2007 (as may be amended, restated, extended, renewed or otherwise modified from time to time, the "Loan and Security Agreement"), pursuant to which Lender is making a term loan to Borrower in the original principal amount of \$6,908,462.87. Guarantors have guaranteed for Lender the repayment of the term loan by Borrower under the Loan and Security Agreement.

It is a condition precedent to the Loan and Security Agreement that Borrower and Guarantors shall have entered into this Intellectual Property Security Agreement (this "Intellectual Property Security Agreement") granting Lender, a security interest in the collateral described in this Intellectual Property Security Agreement as security for payment of the funds advanced to Borrower and of obligations under the terms of the Loan and Security Agreement.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and intending to be legally bound, as collateral security for the prompt and complete payment when due of Borrower's and Guarantors' Obligations (as defined below) to Lender, Borrower and Guarantors hereby represent, warrant, covenant and agree as follows:

1. Grant of Security Interest. As collateral security for the prompt and complete payment and performance of all of Borrower's and Guarantors' Obligations, Borrower and Guarantors hereby grant to Lender a security interest in all of Borrower's and Guarantors' right, title and interest in, to and under the Computer Software Collateral, the Copyright Collateral, the Patent Collateral, the Trade Secrets Collateral and the Trademark Collateral (each as defined below), now or hereafter existing, created, acquired or held, if any (all of which shall collectively be called the "Intellectual Property Collateral"). As used herein:

"Computer Software Collateral" means:

(a) all software programs (including both source code, object code and all related applications and data files), whether now owned, licensed or leased or hereafter developed, designed or acquired by Borrower or any Guarantor;

(b) all firmware associated with the property described in clause (a) of this definition;

(c) all documentation (including flow charts, logic diagrams, manuals, guides and specifications) with respect to such hardware, software and firmware described in the preceding clauses (a) and (b);

(d) the specific collateral set forth in Exhibit A attached hereto; and

(e) all rights with respect to all of the foregoing, including without limitation, any and all copyrights, licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications and any substitutions, replacements, additions or model conversions of any of the foregoing.

"Copyright Collateral" means all copyrights of Borrower or any Guarantor in addition to the Computer Software Collateral, and all semi-conductor chip product mask works of Borrower or such Guarantor, whether under statutory or common law, registered or unregistered, now or hereafter in force throughout the world, including, without limitation, all of Borrower's and Guarantors' right, title and interest in and to all copyrights and mask works registered in the United States Copyright Office or anywhere else in the world and also including, without limitation, those set forth on Exhibit B attached hereto, and all applications for registration thereof, whether pending or in preparation, all copyright and mask work licenses, including each copyright and mask work license (whether as licensee or licensor) referred to in Exhibit B, the right to sue for past, present and future infringements of any thereof, all rights corresponding thereto throughout the world, all extensions and renewals of any thereof and all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payments, claims, damages and proceeds of suit.

"Patent Collateral" means:

(a) all of Borrower's and Guarantors' letters patent and applications for letters patent throughout the world, including all patent applications in preparation for filing anywhere in the world, whether now existing or hereafter acquired (current patents are listed on Exhibit C);

(b) all patent licenses of Borrower or any Guarantor (whether as licensee or licensor);

(c) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the items described in clauses (a) and (b) of this definition; and

(d) all proceeds of, and rights associated with, the foregoing (including license royalties and proceeds of infringement suits), the right to sue third parties for past, present or future infringements of any patent or patent application, including any patent or patent application referred to herein, and for breach or enforcement of any patent license, including any patent license referred to herein, and all rights corresponding thereto throughout the world.

"Trade Secrets Collateral" means all common law and statutory trade secrets and all other confidential or proprietary or useful information of Borrower or any Guarantor and all know-how obtained by or used in or contemplated at any time for use in the business of Borrower or

any Guarantor (all of the foregoing being collectively called a "Trade Secret"), whether or not such Trade Secret has been reduced to a writing or other tangible form, including all documents and things embodying, incorporating or referring in any way to such Trade Secret, all Trade Secret licenses of Borrower or any Guarantor (whether as licensee or licensor), including each Trade Secret license referred to herein, and including the right to sue for and to enjoin and to collect damages for the actual or threatened misappropriation of any Trade Secret and for the breach or enforcement of any such Trade Secret license.

"Trademark Collateral" means:

(a) all of Borrower's and any Guarantor's: trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, certification marks, collective marks, logos, other source of business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of a like nature (all of the foregoing items in this clause (a) being collectively called a "Trademark"), now existing anywhere in the world or hereafter adopted or acquired, whether currently in use or not, all registrations and recordings thereof and all applications in connection therewith, whether pending or in preparation for filing, including registrations, recordings and applications in the United States Patent and Trademark Office or in any office or agency of the United States of America or any state thereof or any foreign country (current trademarks are listed on Exhibit D);

(b) all Trademark licenses (whether as licensee or licensor);

(c) all reissues, extensions or renewals of any of the items described in clauses (a) and (b) of this definition;

(d) all of the goodwill of the business connected with the use of, and symbolized by the items described in, clauses (a) and (b); and

(e) all proceeds of, and rights associated with, the foregoing, including any claim by Borrower or any Guarantor against third parties for past, present or future infringement or dilution of any Trademark, Trademark registration or Trademark license, including any Trademark, Trademark registration or Trademark license referred to herein, or for any injury to the goodwill associated with the use of any such Trademark or for breach or enforcement of any Trademark license.

2. Obligations Secured. The foregoing assignment and security interest is made for the purpose of securing (in such order as Lender may elect) the following ("Obligations"): any and all obligations and indebtedness of every kind and description of Borrower, Guarantors and/or of any other obligor ("Obligor") under the Loan and Security Agreement, the Term Note or any other Credit Document (each as defined in the Loan and Security Agreement) owed to the Lender or to any affiliate of Lender, under or arising from the Loan and Security Agreement or any other Credit Document and whether such debts or obligations are primary or secondary, direct or indirect, absolute or contingent, sole, joint or several, secured or unsecured, due or to become due, contractual or tortious, arising by operation of law or otherwise, or now or hereafter existing, whether incurred by Borrower, any Guarantor and/or any other Obligor as principal, surety, endorser, guarantor, accommodation party or otherwise, including without limitation,

principal, interest and fees, late fees and expenses (including without limitation, reasonable attorneys' fees and costs), or that have been or may hereafter be contracted or incurred.

3. Authorization and Request. Borrower and Guarantors authorize and request that the Register of Copyrights and the Commissioner of Patents and Trademarks record this Intellectual Property Security Agreement.

4. Covenants and Warranties. Each of Borrower and Guarantors represents, warrants, covenants and agrees as follows:

(a) Except for licensed Intellectual Property Collateral, Borrower or Guarantor is the sole and exclusive owner of the entire and unencumbered right, title and interest in the Intellectual Property Collateral, free and clear of any liens, charges and encumbrances except for those created hereunder;

(b) Performance of this Intellectual Property Security Agreement does not conflict with or result in a breach of any other agreement to which Borrower or Guarantor is bound, and this Intellectual Property Security Agreement constitutes the grant of a security interest;

(c) During the term of this Intellectual Property Security Agreement, Borrower and Guarantor will not transfer, assign, sell, hypothecate, or otherwise encumber any interest in the Intellectual Property Collateral, except as permitted by the Loan and Security Agreement;

(d) Borrower and Guarantor agrees that simultaneously with execution of this Intellectual Property Security Agreement, and upon any amendment of Exhibit A, B, C or D hereto, Borrower and Guarantor shall, upon the request of Lender, execute the form of Notice appended hereto as Schedule 1 (each, a "Notice") with respect to any Patent, Trademark or Copyright Collateral now owned or hereafter acquired, and shall deliver it to Lender for recording in the Patent and Trademark Office or Copyright Office so as to formally record this Intellectual Property Security Agreement;

(e) Borrower and Guarantor shall promptly advise Lender of any material adverse change in the composition of the Intellectual Property Collateral, including but not limited to any ownership right of Borrower or Guarantor in or to any Trademark, Patent, Copyright, or other Intellectual Property Collateral specified in this Intellectual Property Security Agreement and any abandonment, forfeiture or dedication to the public of the Computer Software, Trademark, Patent, Copyright and other Intellectual Property Collateral specified in this Intellectual Property Security Agreement;

(f) Borrower and Guarantor shall use reasonable efforts to: (i) protect, defend and maintain the validity and enforceability of the Trademark, Patent, Copyright and other Intellectual Property Collateral; (ii) apply for registration of non-registered Computer Software, Patent, Trademark and Copyright Collateral as such are created, adopted or used and shall diligently prosecute such applications; (iii) detect infringements of the Trademark, Patent, Copyright and other Intellectual Property Collateral and promptly advise Lender in writing of material infringements detected; (iv) not forego any right to protect and enforce rights to material

Trademark, Patent, Copyright or other Intellectual Property Collateral; and (v) not allow any material Trademark, Patent, Copyright, or other Intellectual Property Collateral to be abandoned, forfeited or dedicated to the public without the written consent of Lender, which shall not be unreasonably withheld;

(g) Borrower and Guarantor shall promptly notify Lender of all after-acquired intellectual property, whether hereafter owned, developed or acquired by Borrower, Guarantor or any Subsidiary of Borrower or Guarantor and shall notify Lender of any filed applications to register or patents issued after the execution hereof. Any expenses incurred in connection with such applications shall be borne by Borrower and Guarantor;

(h) Borrower and Guarantor shall take such actions as Lender may reasonably request from time to time to perfect or continue the perfection of Lender's interest in the Intellectual Property Collateral;

(i) Except with respect to those trademarks listed on Exhibit D bearing registration numbers (1) Canada TMA 275909, (2) Canada TMA 500955 and (3) Canada TMA 500956, this Intellectual Property Security Agreement creates, and in the case of after-acquired Intellectual Property Collateral this Intellectual Property Security Agreement will create at the time Borrower or Guarantor first has rights in such after-acquired Intellectual Property Collateral, in favor of Lender, a valid and, upon making the filings referred to in clause(j) below, a perfected first priority security interest in the Intellectual Property Collateral securing the payment and performance of the Obligations;

(j) Except with respect to those trademarks listed on Exhibit D bearing registration numbers (1) Canada TMA 275909, (2) Canada TMA 500955 and (3) Canada TMA 500956, except for, and upon, the filings (i) with the United States Patent and Trademark Office with respect to the Patents and Trademark Collateral and (ii) the Register of Copyrights with respect to the Copyright Collateral, that are necessary to perfect the security interests created hereunder, and except as has been already made or obtained, no authorization, approval or other action by, and no notice to or filing with, any U.S. governmental authority or U.S. regulatory body is required either: (i) for the grant by Borrower and Guarantor of the security interest granted hereby or for the execution, delivery or performance of this Intellectual Property Security Agreement by Borrower and Guarantor or (ii) for the perfection of the security interests granted hereby or the exercise by Lender of its rights and remedies thereunder;

(k) All information heretofore, herein or hereafter supplied to Lender by or on behalf of Borrower or Guarantor with respect to the Intellectual Property Collateral is accurate and complete in all material respects;

(l) Borrower and Guarantor shall not enter into any agreement that would materially impair or conflict with Borrower's or Guarantor's obligations hereunder without Lender's prior written consent. Borrower and Guarantor shall not permit the inclusion in any material contract to which it becomes a party of any provisions that reasonably could in any way prevent the creation of a security interest in Borrower's or Guarantor's rights and interest in any Intellectual Property Collateral that may be acquired by Borrower or Guarantor under such contract;

(m) Borrower and Guarantor shall not take any action, or enter into any license, royalty, assignment or other agreement, which is inconsistent with Borrower's or Guarantor's obligations under this Intellectual Property Security Agreement or which has the effect of reducing the value of the Intellectual Property Collateral, and Borrower and Guarantor shall give the Lender thirty (30) days' prior written notice of any proposed license, royalty, assignment or other agreement; and

(n) Upon any executive officer of Borrower or Guarantor obtaining actual knowledge thereof, Borrower and Guarantor will promptly notify Lender in writing of any event that materially adversely affects: (i) the value of any material Intellectual Property Collateral, (ii) the ability of Borrower or Guarantor to dispose of any material Intellectual Property Collateral and (iii) the rights and remedies of Lender in relation thereto, including without limitation the levy of any legal process against any of the Intellectual Property Collateral.

5. Lender's Rights. Lender shall have the right, but not the obligation, to take, at Borrower's and Guarantors' sole expense, any actions that Borrower or a Guarantor is required to take under this Intellectual Property Security Agreement but which Borrower or such Guarantor falls to take, after ten (10) days' notice of such failure to Borrower and Guarantors. Borrower and Guarantors shall reimburse and indemnify Lender for all costs and expenses incurred in the exercise of its rights under this Section 5.

6. Responsibility of Borrower. In furtherance and not in limitation of the other provisions of this Section 6, Lender shall have no duty or responsibility with respect to the Intellectual Property Collateral or its preservation. Borrower and Guarantors acknowledge and agree that they have reviewed the terms of this Intellectual Property Security Agreement with counsel of their choosing and that Borrower and Guarantors have determined that neither execution, delivery nor performance of this Intellectual Property Security Agreement by Borrower, Guarantors or Lender will in any way impair the Intellectual Property Collateral or Borrower's or Guarantors' right, title and interest therein, subject to the purpose of this Intellectual Property Security Agreement, which is to impose a lien thereon in favor of Lender.

7. Conduct of Business; Inspection Rights. In order to preserve and protect the goodwill associated with the Trademarks, Borrower and Guarantors covenant and agree that they shall maintain the quality of the products and services sold under or in connection with the Intellectual Property Collateral and, except in accordance with customary business practices, shall not at any time permit any impairment of the quality of said products and services, and will provide the Lender from time to time with a certificate to such effect signed by an officer of Borrower and Guarantors upon request. Borrower and Guarantors hereby grant to the Lender and its employees and agents the right to visit Borrower's and Guarantors' (or their affiliates') stores or the plants and facilities that manufacture, provide, inspect or store products or services sold under any of the Trademark Collateral, and to inspect the products and quality control records relating thereto, at reasonable times during regular business hours and upon reasonable advance written notice which affords a representative of Borrower and Guarantors a reasonable opportunity to be present. Borrower and Guarantors shall do any and all acts reasonably required by the Lender to ensure Borrower's and Guarantors' compliance with this Section 7. Borrower and Guarantors hereby grant to Lender and its employees, representatives and agents the right, during reasonable hours, during regular business hours, upon prior reasonable written notice to

Borrower and Guarantors which affords a representative of Borrower and Guarantors a reasonable opportunity to be present, to visit Borrower, Guarantor, and any of Borrower's or any Guarantor's stores or the plants and facilities that manufacture, install or store products (or that have done so during the prior six-month period) that are sold utilizing any of the Intellectual Property Collateral, and to inspect the products and quality control records relating thereto upon reasonable written notice to Borrower and Guarantors and as often as may be reasonably requested. The foregoing provisions of this Section 7 shall become applicable to Borrower and Guarantors at such time as Borrower and Guarantors have developed products and services capable of being sold to the public.

8. Further Assurances; Attorney in Fact.

(a) On a continuing basis, and at Borrower's and Guarantors' sole expense, Borrower and Guarantors shall, subject to any prior licenses, encumbrances and restrictions and prospective licenses, execute, acknowledge and deliver for filing, all such instruments, including financing and continuation statements and collateral agreements and filings with the United States Patent and Trademark Office and the Register of Copyrights, and take all other such action as may reasonably be requested by Lender, to create, preserve, continue, charge, validate or perfect Lender's security interest in all Computer Software, Copyright, Patent, Trademark, and other Intellectual Property Collateral and otherwise to carry out the intent and purposes of this Intellectual Property Security Agreement, or for assuring and confirming to Lender the grant or perfection of a security interest in all Intellectual Property Collateral.

(b) Borrower and Guarantors hereby irrevocably appoint Lender as Borrower's and Guarantors' attorney-in-fact, with full authority in the place and stead of Borrower and Guarantors and in the name of Borrower and Guarantors, Lender or otherwise, from time to time in Lender's discretion, upon Borrower's or Guarantors' failure or inability to do so, to take any action and/or to execute any instrument which Lender may reasonably deem necessary to accomplish the purposes of this Intellectual Property Security Agreement, including without limitation:

(i) the modification, in its sole discretion, of this Intellectual Property Security Agreement without first obtaining Borrower's or Guarantors' approval of or signature to such modification by amending any Exhibit hereof, as appropriate, to include reference to any right, title or interest in any Copyright, Patent, Trademark, and/or other Intellectual Property Collateral owned or acquired by Borrower or any Guarantor after the execution hereof or to delete any reference to any right, title or interest in any Copyright, Patent, Trademark, and/or other Intellectual Property Collateral in which Borrower or any Guarantor no longer has or claims any right, title or interest;

(ii) the filing, in its sole discretion, of one or more financing or continuation statements and amendments thereto, relative to any of the Intellectual Property Collateral without the signature of Borrower or Guarantor where permitted by law; and

(iii) upon the occurrence and during the continuance of an Event of Default, the endorsement of Borrower's or any Guarantor's name on all applications, documents, papers and instruments as is necessary for the Lender to use the Intellectual Property Collateral,

or to grant or issue any exclusive or non-exclusive license under the Intellectual Property Collateral to any third person, or necessary for the Lender to assign, pledge, convey or otherwise transfer title in or dispose of the Intellectual Property Collateral, including the goodwill associated therewith, to Lender or any third person.

(c) This power of attorney, being coupled with an interest, shall be irrevocable for the life of this Intellectual Property Security Agreement.

9. Remedies.

(a) After the occurrence and during the continuance of an Event of Default and after notice from Lender that Borrower's or Guarantors' rights to use the Intellectual Property are terminated, Borrower's or Guarantor's rights to use the Intellectual Property Collateral shall terminate forthwith and Lender shall have the right to exercise all the remedies of a secured party under the Uniform Commercial Code and any applicable federal law, including without limitation the right to require Borrower and Guarantors to assemble the Intellectual Property Collateral and any tangible property in which Lender has a security interest and to make it available to Lender at a place designated by Lender. Lender shall have a nonexclusive, royalty-free license to use the Copyright, Patent, Trademark, and other Intellectual Property Collateral to the extent reasonably necessary to permit Lender to exercise its rights and remedies upon the occurrence and during the continuance of an Event of Default. Borrower and Guarantors will pay any expenses (including reasonable attorneys' fees) incurred by Lender in connection with the exercise of any of Lender's rights hereunder, including without limitation any expense incurred in disposing of the Intellectual Property Collateral. All of Lender's rights and remedies with respect to the Intellectual Property Collateral shall be cumulative.

(b) Upon the occurrence and during the continuance of an Event of Default, without limiting the generality of the foregoing, Lender may immediately, without demand of performance and without advertisement, require Borrower and Guarantors to assign of record the Intellectual Property Collateral to Lender (or its assignees), and/or beneficially sell at public or private sale or otherwise realize upon the whole, or from time to time any part, of the Intellectual Property Collateral and the goodwill associated therewith or any interest which Borrower or any Guarantor has therein, and after deducting from the proceeds of said sale or other disposition of the Intellectual Property Collateral all expenses (including all reasonable expenses for brokers' fees and legal services), shall apply the residue of such proceeds toward the payment of the Obligations. Upon the request of Borrower or any Guarantor, Lender shall provide Borrower or such Guarantor with an accounting of such expenses. Any remainder of the proceeds after payment in full of the Loan and Security Agreement shall be paid over to Borrower and Guarantors. Prior notice of any sale or other disposition of the Intellectual Property Collateral need not be given to Borrower and Guarantors unless otherwise required by law (and if notice is required by law, it shall be given ten (10) days before the time of any intended public or private sale or other disposition of the Intellectual Property Collateral is to be made, which Borrower and Guarantors hereby agree shall be reasonable notice of such sale or other disposition). At any such sale or other disposition, the Lender (or any assignee of Lender) may, to the extent permissible under applicable law, purchase the whole or any part of or interest in the Intellectual Property Collateral sold, free from any right of redemption on the part of Borrower or

Guarantors, which right is hereby waived and released; provided, however, that the purchase price shall be commercially reasonable.

10. Conduct of Business After Event of Default. The parties understand and agree that the collateral assignment with respect to the Intellectual Property Collateral as provided for in this Intellectual Property Security Agreement will and is intended to permit the Lender and its successors and assigns, upon the occurrence and continuance of an Event of Default, to take title to and make use of all rights to the Intellectual Property Collateral and to carry on the business of Borrower and Guarantors.

11. Deficiency. If proceeds referred to in Section 9(b) above are insufficient to pay the Obligations in full, Borrower, Guarantors and each other Obligor shall, jointly and severally, continue to be liable for the entire deficiency.

12. Indemnity.

(a) Borrower and Guarantors agree to defend, indemnify and hold harmless Lender and its directors, officers, employees, and agents from and against: (i) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Intellectual Property Security Agreement, including without limitation, the assignment of the Intellectual Property Collateral, the use of the Intellectual Property Collateral, the alleged infringement by the Lender of the intellectual property rights of others, any infringement action or other claim relating to the Intellectual Property Collateral or enforcement of the terms hereof (all of which shall collectively be called the "Transactions"), except for losses arising from or out of Lender's gross negligence or willful misconduct and (ii) all losses or expenses in any way suffered, incurred, or paid by Lender as a result of the Transactions under this Intellectual Property Security Agreement, the Loan and Security Agreement or any other Credit Document (including without limitation, reasonable attorneys' fees and reasonable expenses), except for losses arising from or out of Lender's gross negligence or willful misconduct.

(b) Borrower and Guarantors also agree to defend, indemnify and hold harmless Lender and each of its directors, officers, employees and agents, on demand, from and against any and all losses, claims, obligations, damages, fees, costs, liabilities, expenses or disbursements of any kind and nature whatsoever (including but not limited to reasonable fees and disbursements of counsel, interest, penalties, and amounts paid in settlement) incurred by the Lender in connection with the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances or otherwise protecting, maintaining or preserving the Intellectual Property Collateral, or in defending or prosecuting any actions or proceedings arising out of or related to the Intellectual Property Collateral.

13. Release of Security Interest. At such time as Borrower and Guarantors shall completely and finally satisfy all of the Obligations secured hereunder, and there shall exist no continuing liability of Borrower or any Guarantor with respect to the Obligations secured hereunder, then upon the written request of Borrower or any Guarantor, Lender shall release its security interest in the Intellectual Property Collateral and execute and deliver to Borrower and

Guarantors all UCC-3 termination statements or other instruments evidencing such release as may be requested by Borrower and Guarantors.

14. Course of Dealing. No course of dealing, nor any failure to exercise, nor any delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

15. Assigns. This Intellectual Property Security Agreement shall be binding upon Borrower, Guarantors and their respective successors and permitted assigns, but shall not be assignable by Borrower or Guarantors, and shall inure to the benefit of Lender and its successors and permitted assigns.

16. Amendments. This Intellectual Property Security Agreement may be amended only by a written instrument signed by all parties hereto, except as specifically provided under Section 8 hereof.

17. Counterparts. This Intellectual Property Security Agreement may be executed in two or more counterparts, and each party may sign on a separate counterpart, each of which shall be deemed an original but all of which together shall constitute the same instrument.

18. Law and Jurisdiction. This Intellectual Property Security Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without reference to conflicts of law principles.

19. Confidentiality. In handling any confidential information, Lender shall exercise the same degree of care that it exercises with respect to its own proprietary information to maintain the confidentiality of any non-public information thereby received or received pursuant to this Intellectual Property Security Agreement, except that the disclosure of this information may be made (a) as required by law, regulation, rule or order, subpoena, judicial order or similar order and (b) provided that the recipient has entered into a comparable confidentiality agreement in favor of Borrower or Guarantors and has delivered a copy, (i) to Borrower or Guarantors, (ii) to the affiliates of the Lender, (iii) to prospective transferee or purchasers of an interest in the obligations secured hereby, and (iv) as may be required in connection with the examination, audit or similar investigation of Lender.

20. Severability. The provisions of this Intellectual Property Security Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Intellectual Property Security Agreement in any jurisdiction.

21. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings given to them in the Loan and Security Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Intellectual Property Security Agreement on the day and year first above written.

ENERGEX PELLETT FUEL INC./GRANULES
COMBUSTIBLES ENERGEX INC.

By: *[Signature]*
Name: *B.R. Lister*
Title: *president*

ELEMENT BIOFUELS ACQUISITION CORP.

By: _____
Name:
Title:

ENERGEX, INC.

By: *[Signature]*
Name: *B.R. Lister*
Title: *president*

ENERGEX AMERICAN, INC.

By: *[Signature]*
Name: *B.R. Lister*
Title: *president*

ENERGEX PROPERTIES, LTD.

By: *[Signature]*
Name: *B.R. Lister*
Title: *president*

EPF LENDER, L.P.,
By: EPF Lender GP, LLC,
its general partner

By: _____
Name: Eric L. Blum
Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties hereto have executed this Intellectual Property Security Agreement on the day and year first above written.

ENERGEX PELLET FUEL INC./GRANULES
COMBUSTIBLES ENERGEX INC.

By: _____
Name:
Title:

ELEMENT BIOFUELS ACQUISITION CORP,

By: Michael De Rosa
Name:
Title:

ENERGEX, INC.

By: _____
Name:
Title:

ENERGEX AMERICAN, INC.

By: _____
Name:
Title:

ENERGEX PROPERTIES, LTD.

By: _____
Name:
Title:

EPF LENDER, L.P.,
By: EPF Lender GP, LLC,
its general partner

By: _____
Name: Eric L. Blum
Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties hereto have executed this Intellectual Property Security Agreement on the day and year first above written.

ENERGEX PELLET FUEL INC./GRANULES
COMBUSTIBLES ENERGEX INC.

By: _____
Name:
Title:

ELEMENT BIOFUELS ACQUISITION CORP,

By: _____
Name:
Title:

ENERGEX, INC.

By: _____
Name:
Title:

ENERGEX AMERICAN, INC.

By: _____
Name:
Title:

ENERGEX PROPERTIES, LTD.

By: _____
Name:
Title:

EPF LENDER, L.P.,
By: EPF Lender GP, LLC,
its general partner

By: Robert Wisniewski
Name: Robert Wisniewski
Title: Managing Director

COMMONWEALTH OF PENNSYLVANIA)
)
): ss. .
)
COUNTY OF PHILADELPHIA

The foregoing instrument was acknowledged before me this 29 day of March 2007, by Michael Bellosa the _____ of Energex Pellet Fuel Inc./Granules Combustibles Energex Inc., Energex Acquisition Corporation, Energex, Inc., Energex American, Inc., and Energex Properties, Ltd., on behalf of such companies.

[seal]

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Katie C. Kinsman, Notary Public
City Of Philadelphia, Philadelphia County
My Commission Expires Nov. 10, 2007
Member, Pennsylvania Association Of Notaries

Katie C. Kinsman
NOTARY PUBLIC

COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF JUNIATA) ss.

The foregoing instrument was acknowledged before me this 30 day of March 2007, by Bruce R. Lisle, the PRESIDENT of Energex Pellet Fuel Inc./Granules Combustibles Energex Inc., on behalf of such company.

Pauline E. Booker
NOTARY PUBLIC

[seal]

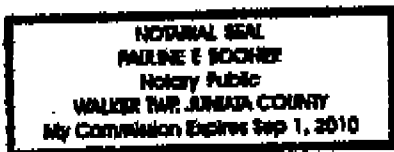


Exhibit A

Computer Software Collateral

SAP Business One licenses

Lotus Notes licenses

Current Concept Voice Over IP license

Exhibit B

Copyright Collateral

None

Exhibit C

Patent Collateral

“Combustion Cage for Burning Solid Fuel” described in Canadian patent application number C.A. 2,276,410 filed on June 29, 1999

“Combustion Cage for Wood Pellet and Other Solid Fuel Combustion” described in United States Patent Number 5,941,234 issued on August 24, 1999 (serial number 08/777,469 filed December 30, 1996)

Exhibit D

Trademark Collateral

Registered Trademarks and Applications

Registration No.	Mark	Goods Class	Status	Assignment
US 2,171,974	Prometheus	combustion cages	Cancelled 4/9/05	Assigned to Energex Properties in 7/6/04
US 1,797,465	Stove Chow	wood pellets	Renewed	Assigned to Energex Properties on 7/6/04
Canada TMA 537548	Prometheus	combustion cages	Registered	N/A
US 1,814,323	Energex	artificial fireplace logs	Renewed	Assigned to Energex Pellet Fuel Inc./Granules Combustibles Energy Inc.
Canada TMA 275909	Energex	fuel pellets	Renewed	Assigned to Energex Pellet Fuel Inc./Granules Combustibles Energy Inc.
US 3,026,517	Energex American	wood pellets	Registered	Energex Properties on 7/6/04
Canada TMA 500955	Kitty Clean	cat box filler	Registered	N/A
Canada TMA 500956	Minoupropre	cat litter	Registered	N/A
US 75,538,569	Premier Pellets	wood pellet fuel	Abandoned	N/A
Canada Application Number 0882267	Premier Pellets	wood pellet fuel	Abandoned	N/A

Trademarks (Unregistered), Marks, Brands and Trade Names

Energex Wood Pellet Fuel (bilingual)

Golden Pellet

Juniata Wood Pellets

Nature's Own

Phoenix

Econo

Fireside Ultra

Fireside Ultra Hardwood

Energex American Super Premium Ultra Low Ash

Shur Blaze

SCHEDULE 1

NOTICE OF INTELLECTUAL PROPERTY SECURITY AGREEMENT

NOTICE dated the ____ day of _____, 20__ by having an address at _____ ("Borrower") to and in favor of EPF LENDER, L.P., a Delaware limited partnership, ("Lender"), under a certain Loan and Security Agreement dated March ____, 2007 among Borrower and Lender (as may be amended, restated or otherwise modified from time to time, the "Loan and Security Agreement").

WHEREAS, Borrower is the owner of certain Intellectual Property Collateral a Exhibits A, B, C and D hereto; and

WHEREAS, the Lender has agreed to extend certain credit to Borrower under the Loan and Security Agreement on the condition that Borrower pledges and grants to Lender, for the benefit of the Lender, as collateral for the Obligations (as defined in the Intellectual Property Security Agreement described below) a security interest and lien in and to such Intellectual Property Collateral and application therefor described above, including the registrations thereof, the goodwill associated therewith and other related claims and rights (the "IP") as more fully described in that certain Intellectual Property Security Agreement by Borrower in favor of and for the benefit of Lender, dated on even date herewith (the "Intellectual Property Security Agreement");

NOW THEREFORE, for good and valuable consideration, as security for the due and timely payment and performance of the Obligations, Borrower hereby pledges, grants and assigns to Lender, for the benefit of Lender, a security interest and lien in and to all rights, title and interest in and to the aforesaid IP, and give notice of such security interest and the existence of such Intellectual Property Security Agreement providing therefor.

Executed as of the date first above written.

ENERGEX PELLET FUEL INC./GRANULES
COMBUSTIBLES ENERGEX INC.,

By: _____
Name:
Title:

ENERGEX ACQUISITION CORPORATION

By: _____
Name:
Title:

ENERGEX, INC.

By: _____
Name:
Title:

ENERGEX AMERICAN, INC.

By: _____
Name:
Title:

ENERGEX PROPERTIES, LTD.

By: _____
Name:
Title:

EPF LENDER, L.P.,
By: EPF Lender GP, LLC,
its general partner

By: _____
Name:
Title:

STATE OF _____ :
 :
COUNTY OF _____ : SS.

Before me, the undersigned, a Notary Public in and for the state and county aforesaid, on this ____ day of _____, 20__, personally appeared _____ to me known personally, and who, being first by me duly sworn, deposed and said that he/she is the _____ of _____, and that the foregoing instrument was signed and sealed on behalf of said company by authority of its Board of Directors, and that he/she acknowledged said instrument to be the free act and deed of said company.

Notary Public

My commission expires: _____

(Notarial Seal)

CONFIRMATION OF GRANT OF SECURITY INTEREST

This will confirm that, pursuant to a deed of hypothec on the universality of moveable and immoveable property (hereinafter referred to as the "Security Agreement") dated March 27, 2006, between Energex Pellet Fuel Inc./Granules Combustibles Energex Inc., a corporation governed by the laws of Canada (hereinafter referred to as "Energex"), whose full post office address is 1250 Rene-Levesque Boulevard West, suite 2500, Montreal, Quebec, H3B 4Y1 and EPF LENDER, L.P. (hereinafter referred to as "EPF", a Delaware limited partnership, whose full post office address is 2929 Arch Street, suite 675, Philadelphia, Pennsylvania, 19104-2867, and for good and valuable consideration, the receipt and sufficiency of which are hereby confirmed and acknowledged, Energex has granted to EPF a hypothec and security interest in all of Energex' right, title and interest in and to all of the present and future personal and movable property of every kind and nature, tangible and intangible of Energex owned by it, including without limitation the intellectual property owned by it, including, without limitation, the copyrights, trademarks, patents and trademark and patent applications and registrations owned by Energex listed therein and on the Schedule attached hereto, and in and to any and all continuations, continuations-in-part, updates, developments, divisions, reissues and re-examinations which issue there from.

[The remainder of this page was intentionally left blank. Signature page to follow.]

SIGNATURE

EXECUTED at _____ this 30th day of March 2007.

WITNESS :

**ENERGEX PELLET FUEL INC./GRANULES
COMBUSTIBLES ENERGEX INC.**

Pauline E. Booker

Per : *William M. Lisiecki*
Name : B.R. Lisiecki

We have authority to bind the Corporation.

WITNESS :

**EPF LENDER, L.P., herein acting and
represented by EPF LENDER GP, LLC, its
general partner**

Per : _____ c/s
Name :

SIGNATURE

EXECUTED at _____ this 30th day of March 2007.

WITNESS :


**ENERGEX PELLET FUEL INC./GRANULES
COMBUSTIBLES ENERGEX INC.**

Per : _____ c/s
Name :

We have authority to bind the Corporation.

WITNESS :

**EPF LENDER, L.P., herein acting and
represented by EPF LENDER GP, LLC, its
general partner**

Per :  _____ c/s
Name :

SCHEDULE TO CONFIRMATION OF GRANT OF SECURITY INTEREST
REGISTERED TRADEMARKS AND TRADEMARK APPLICATIONS
ENERGEX PELLET FUEL INC./GRANULES COMBUSTIBLES ENERGEX INC

Mark	Application Number	Registration Number	Country
Energex		1,814,523	United States

Error! Unknown document property name.