



06-24-2002

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Form PTO-1594 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002)

DEPARTMENT OF COMMERCE J.S. Patent and Trademark Office

Tab settings

RECOR TR

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

1. Name of conveying party(ies):

Waterfall Company, Inc.

06/18/02

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

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

2. Name and address of receiving party(ies)

Name: SEE ATTACHED LIST

Internal Address:

Street Address:

City: State: Zip:

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

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

3. Nature of conveyance:

- Assignment Merger Security Agreement Change of Name Other

Execution Date:

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

A. Trademark Application No.(s)

B. Trademark Registration No.(s) 2421724

1927271

Additional number(s) attached Yes No

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

Name: Bradley D. Bosomworth, Esq.

Internal Address: Sweeney, Mason, Wilson

& Bosomworth

Street Address: 983 University Avenue,

Suite 104C

City: Los Gatos State: CA Zip: 95032-7637

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:

DO NOT USE THIS SPACE

9. Signature.

Thomas A. Tomassetti

Name of Person Signing

Signature

Signature

5/29/02

Date

9

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

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

06/21/2002 6TOM11 0000067 2421724

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40.00 OP 25.00 OP

TRADEMARK REEL: 002530 FRAME: 0151

Secured Parties

2. Name and address of receiving parties:

Comprehensive Financial Management
720 University Avenue #200
Los Gatos, CA 95032

Judy Koch Buchanan
1726 Fulton Street
Palo Alto, CA 94301

Marshal Koch
429 East Micheltorena
Santa Barbara, CA 93101

Stewart Koch
522 Hidden Lake Court
P.O. Box 3721
Olympic Valley, CA 96146

Gary Jones
10090 Pasadena Avenue, Suite A1
Cupertino, CA 95014

Steve Halpern
550 Water Street, Suite A
Santa Cruz, CA 95060

Bob Ditmore
1142 Via Palo Alto
Aptos, CA 95003

John Dunning
6489 Camden Avenue, Suite 1
San Jose, CA 95120

Bill Long
2153 Pray Meadow Road
P.O. Box 522
Glenbrook, NV 89413

Lew Weiss
care of:
Comprehensive Financial Management
720 University Avenue #200
Los Gatos, CA 95032

The Angels' Forum
Carol Sands
2458 Embarcadero Way
Palo Alto, CA 94303

Vic and Connie Marques
1728 Westwood Drive
Minden, NV 89423

Bayside Development Corporation
care of:
Comprehensive Financial Management
720 University Avenue #200
Los Gatos, CA 95032

Doug Hepler
815 Cliff Drive
McLeansville, NC 27301

Michelle Soulé
care of:
Comprehensive Financial Management
720 University Avenue #200
Los Gatos, CA 95032



**WATERFALL COMPANY, INC.
LOAN AND SECURITY AGREEMENT**

This Loan and Security Agreement (the "Agreement") is made as of 11/10/02, ~~2001~~, by and between Waterfall Company, Inc., a Wyoming corporation (the "Company"), and the individuals listed on the attached EXHIBIT "A" hereto (each a "Lender", and collectively the "Lenders") in connection with the Company's execution of Secured Convertible Promissory Notes in the aggregate principal amount of up to \$1,000,000.00 (the "Notes") in favor of the Lenders.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

- Loan and Grant of Security Interest. In consideration of the Lenders' loans in an aggregate amount of up to \$1,000,000.00, and to secure payment and performance of same, Company hereby grants and transfers to the Lenders a security interest in all Company's right, title, and interest in and to (a) all deposit accounts, cash, accounts receivable, choses in action, chattel paper, instruments, general intangibles, licenses, copyrights, trademark rights, trade names, trade name rights, trade secrets, patents, patent rights and rights to payment of any kind and all contracts of Company, now existing or at any time hereafter owned or acquired by Company; (b) all office equipment and furniture, production equipment, inventory, raw materials, work in process, materials used or consumed by Company, goods held for sale or to be furnished under contract by Company, now or at any time hereafter owned or acquired by Company, wherever located, and all accessions, additions, improvements and products thereof held for sale to customers of Company, whether in the possession of Company, or any other person and whether located at the places of business of Company or elsewhere, now or at any time hereafter owned or acquired by Company, and (c) all proceeds arising at any time related in any way to the foregoing, whether such proceeds arise voluntarily or involuntarily, including, but not limited to, any insurance proceeds and any licensing, intellectual property or other residual rights arising from Company's Microbarrier® technology and all other intellectual property owned by Company to provide products to market (all of the foregoing shall hereinafter be referred to collectively as the "Collateral").
- Obligations Secured. The obligations secured by this Agreement are the payment and performance of all obligations pursuant to the Notes payable by the Company to the Lenders (collectively, the "Obligations").
- Exchange of Notes. The Lenders agree that if Company's Qualified Financing (as defined in the Notes) is consummated, the Obligations shall be exchanged for the securities issued in the Qualified Financing.
- Further Assurances. The Lenders' shall, via approval by Lenders representing a majority of the Obligations, elect a representative to carry forward any and all matters related to perfection of and foreclosure pursuant to the security interests created under this Agreement (the "Lenders' Representative"). Company shall execute and deliver to the Lenders' representative, concurrently with the execution of this Agreement, and at

any time or times hereafter at the request of the Lenders' Representative, all financing statements (including a UCC-1 Financing Statement), continuation statements, security agreements, assignments, affidavits, reports, notices, and any other documents that the Lenders' Representative may reasonably request in a form satisfactory to the Lenders' Representative, to maintain the Lenders' security interest in the Collateral and to consummate fully all of the transactions contemplated under this Agreement.

5. Powers of the Lenders. The Company appoints the Lenders' Representative its true attorney in fact to perform any of the following powers following a Event of Default (as defined below), which powers are coupled with an interest, are irrevocable until termination of this Agreement and may be exercised from time to time by the Lenders' Representative: (a) to perform obligations of the Company under this Agreement in the name of the Company or otherwise; (b) to give notice of the Lenders' rights to the Collateral to enforce the same and to make extension agreements with respect thereto; (c) to prepare, execute, file, record or deliver schedules, designation statements, financing statements, continuation statements, termination statements, or like papers to perfect, preserve or release the Lenders' interest in the Collateral, the right to payment, inventory, products and proceeds; (d) to endorse, collect, deliver, deposit and receive payment under instruments for the payment of money and other property to which the Lenders are entitled; (e) to execute any bills of sale for the Collateral and (f) to do all acts and things and execute all documents in the name of the Company or otherwise, deemed by the Lenders' Representative necessary, proper and convenient in connection with the preservation, perfection or enforcement of the Lenders' rights under this Agreement.

6. Event of Default. The following shall constitute an "Event of Default" as used in this Agreement:

(a) If the Company fails to pay any Obligations, or any portion thereof, to Lenders when due;

(b) There is a seizure or attachment of, or a levy on, the Collateral;

(c) Company: (1) applies for or consents to the appointment of a receiver, trustee, liquidator, or custodian of itself or of a substantial part of its property; (2) makes a general assignment for the benefit of its creditors or any of them; (3) is dissolved or liquidated in full or in part; (4) commences a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect, or consents to any relief or to the appointment of or taking possession of its property by any official in any involuntary case or other proceeding commenced against it; or (5) takes any action for the purpose of effecting any of the foregoing;

(d) Proceedings for the appointment of a receiver, trustee, liquidator, or custodian of Company or of all or a substantial part of its property, or an involuntary case or other proceedings seeking liquidation, reorganization, or other relief with respect to Company or its debts under any bankruptcy, insolvency, or other similar law now or

hereinafter in effect are commenced and an order for relief is entered or such a proceeding is not dismissed or discharged within sixty (60) days of commencement.

Upon the occurrence of any Event of Default, the Lenders' Representative, by notice to the Company may (a) foreclose on or sell any or all of the Collateral; or (b) exercise any and all rights of a secured creditor under applicable law. The Lenders shall have all other rights, privileges, powers and remedies provided by law or under any other agreements or instrument relating to the Obligations or any security thereof, including, but not limited to, the right to contact all persons obligated to the Company and to instruct such persons to deliver payment or proceeds directly to the Lenders.

7. Disposition of Proceeds. Except as otherwise provided herein, any proceeds of any disposition of the Collateral, or any part thereof, may be applied by the Lenders to the payment of expenses in connection with the Collateral, including, but not limited to, reasonable fees of attorneys, and the balance of such proceeds may be applied by the Lenders toward the payment of the Obligations, with any excess proceeds payable to the Company.

8. Representations and Warranties of Company. Company covenants, warrants, and represents as follows:

(a) Company is a corporation, duly organized, validly existing, and in good standing under the laws of the State of Wyoming, and has all necessary authority to conduct its business in the State of California;

(b) Company has been authorized to execute and deliver this Agreement. This Agreement is a valid and binding obligation of Company;

(c) Neither the execution and delivery of this Agreement, nor the taking of any action in compliance with it, will (1) violate or breach any law, regulation, rule, order, or judicial action binding on Company, any agreement to which Company is a party, Company's articles of incorporation (as amended and restated to date) or bylaws; or (2) result in the creation of a lien against the Collateral except that created by this Agreement.

9. Termination. This Agreement will terminate when: (a) upon a Qualified Financing; (b) Company completes performance of all Obligations to all Lenders, including without limitation the repayment of all indebtedness by Company to all Lenders; (c) none of the Lenders have any existing commitment(s) that could give rise to an Obligation; and (d) Company has notified the Lenders' Representative in writing of the termination.

10. Attorney Fees and Costs. Company will pay all costs and expenses of Lenders in enforcement of Lenders' rights under this Agreement, including reasonable attorney fees.

11. Waiver by Lenders. No waiver by Lenders, or any of them, of any breach or default (including an Event of Default) will be a waiver of any breach or default occurring later. A waiver will be valid only if it is writing and signed by the Lenders to whom such breach or default relates, and/or by the Lenders' Representative (as the case may be).

12. Survival of Representations and Warranties. Company's representations and warranties made in this Agreement will survive its execution, delivery, and termination.

13. Assignment. This Agreement will bind and benefit the successors and assignees of the parties, but Company may not assign its rights under the Agreement without the prior written consent of Lenders representing a majority of the Obligations.

14. Governing Law. This Agreement will be governed by the law of the State of California.

15. Entire Agreement. This Agreement is the entire agreement and supersedes any prior agreement or understandings between Lenders and Company relating to the Collateral.

16. Notices. Notices under this Agreement are considered to be served (a) three days after they are deposited in the United States mail, with prepaid first-class postage, addressed to the addresses of record of the parties (to be determined by the parties within thirty (30) days of the execution of this Agreement); or (b) on receipt if served by facsimile.

IN WITNESS WHEREOF AND WITH INTENT TO BE BOUND, Company and Lenders have executed this Agreement as of the date first set forth above:

Company:

Lenders:

Waterfall Company, Inc.,
a Wyoming corporation

See EXHIBIT "A" attached.

By: 

Date Signed: 5/29/02

EXHIBIT A

Sent By: VALUENOMICS RESEARCH, INC.;
05/29/2002 17:52 4083582487
05-29-'02 16:46 FROM-

4082571146;

May-30-02 12:58PM;

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05/29/2002 18:54 4083582487

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May 28 02 09:33p Judy and Neilson Buchanan 550 821-0887
05/28/2002 15:47 4083582487

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NOTICE OF ELECTION

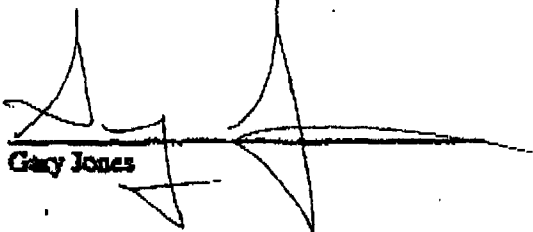
Pursuant to Paragraph 4 of the Waterfall Company, Inc. (the "Company") Loan and Security Agreement, we the undersigned, constituting a majority of Lenders of the Secured Convertible Promissory Notes, elect Comprehensive Financial Management LLC to serve as the "Lender's Representative".



Comprehensive Financial Management
By Michael G Mohr - Managing Member

5.28.02

Date



Gary Jones

5.29.02

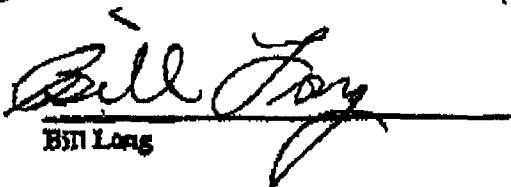
Date



Judy Buchanan

5-28-02

Date



Bill Long

5.29.02

Date