

FORM PTO-1594
(Rev. 3/01)

RECORDATION FORM COVER SHEET

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

OMB No. 0651-0027 (exp. 5/31/2002)

TRADEMARKS ONLY

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

1. Name of conveying party(ies):
MLO Products, Inc.

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

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

2. Name and address of receiving party(ies):
Name: Stafford Towne, LTD
Internal Address: Craigmuir Chambers
Street Address: P.O. Box 71
City: Road Town State: TORTOLA
Country: British Virgin Islands

Individual(s) citizenship
 Association
 General Partnership
 Limited Partnership
 Corporation - State British Virgin Islands
 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) of receiving party(ies) attached? Yes No

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

Execution Date(s): June 30, 2004

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

A. Trademark Application No(s).
78/276,990
78/276,994
76/526,545
76/325,570

Additional numbers attached? Yes No

B. Trademark No(s)
2,090,101
1,601,841
1,282,064
1,445,928
2,137,457

5. Name and address of party to whom correspondence concerning document should be mailed:
Name: Steven Lieske
Internal Address: 3300 Plaza VII Building
Street Address: 45 South Seventh Street
City: Minneapolis State: MN ZIP: 55402
Our File No.: 21112-23

6. Total number of applications and registrations involved: 9

7. Total Fee (37 CFR 3.41) \$240.00.
 Enclosed
 Authorized to be charged to deposit account
 Authorized to charge any underpayment or credit any overpayment to deposit account.

8. Deposit account number:
50-1901
(Attach duplicate copy of this page if paying by deposit account.)

DO NOT USE THIS SPACE

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

Steven C. Lieske *Steven C. Lieske* 7/1/2004
Name of Person Signing Signature Date

Total number of pages including cover sheet, attachments, and document: 8
Mail documents to be recorded with required cover sheet information to:
Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231

CH \$240.00 501901 78276990

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement"), dated and effective as of this 30th day of June, 2004, is made by MLO PRODUCTS, INC., a California corporation, with its chief executive office located at 2351 N. Watney Way, Suite C, Fairfield, California, 94533 (hereinafter called the "Debtor"), in favor of STAFFORD TOWNE, LTD., as the administrative agent, and the collateral agent, with a mailing address c/o Oppenheimer Wolff & Donnelly, Attention: Michael D. Zalk, Plaza VII, Suite 3300, 45 South Seventh Street, Minneapolis, Minnesota 55402-1609 (the "Secured Party"), for the benefit of the Term Note Holders, as such term is defined in that certain Term Loan Agreement, dated as of June 30, 2004, entered in by and among the Debtor, the Lender, and the Secured Party (as such may be amended, modified, supplemented, increased, or restated from time to time, the "Term Loan Agreement").

RECITALS

A. The Lender as designated by the Secured Party agreed to make a Term Loan (as defined in the Term Loan Agreement) and to provide other financial accommodations to the Debtor pursuant to the terms of the Term Loan Agreement.

B. As a condition precedent to entering into the Term Loan Agreement and the other Loan Documents (as defined in the Term Loan Agreement), the Secured Party required the Debtor to secure all current and future obligations that may arise under the Term Loan Agreement, the Term Note (as defined in the Term Loan Agreement), or any other Loan Document by granting a security interest in all of the Debtor's assets to the Secured Party pursuant to the terms of this Agreement.

C. Debtor has determined that the execution, delivery, and performance of this Agreement is in its best business and pecuniary interest.

THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Debtor hereby agrees as follows:

ARTICLE I DEFINITIONS

As used herein, the following terms shall have the meanings set forth in this Section. Other terms defined herein shall have the meanings ascribed to them herein. All capitalized terms used herein not specifically defined herein shall have the meaning ascribed to them in the Term Loan Agreement whether or not the Term Loan Agreement has been terminated.

"Accounts" shall have the meaning provided in Article 9.

"Article 9" shall mean Article 9 of the UCC.

"Chattel Paper" shall have the meaning provided in Article 9 and shall include, without limitation, all Electronic Chattel Paper and Tangible Chattel Paper.

"Collateral" shall mean all property in which a security interest is granted hereunder.

“Collateral Account” shall mean Account No. 1892057561, in the name of Debtor with Comerica Bank, organized under the laws of the State of Michigan, located in San Jose, California (hereafter referred to as the “Depository Bank”), any successor and/or replacement accounts, and any and all securities, security entitlements, financial assets, investment property, commodity contracts, money, instruments, documents, goods, chattel paper, accounts, general intangibles, deposit accounts, partnership and limited liability company interests, and other property and rights of any nature now or hereafter held in or constituting part of such account, and any successor and/or replacement account.

“Commercial Tort Claim” shall have the meaning provided in Article 9.

“Controlled Property” shall mean property of every kind and description in which Debtor has or may acquire any interest, now or hereafter at any time in the possession or control of Secured Party for any reason and all dividends and distributions on or other rights in connection with such property.

“Copyrights” shall mean any and all copyright rights, copyright applications, copyright registrations, and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held, including without limitation those set forth on Exhibit A attached hereto and shall include all amendments, extensions, renewals, and extensions of any of the foregoing.

“Data Processing Records and Systems” shall mean all of Debtor's now existing or hereafter acquired electronic data processing and computer records, software (including, without limitation, all “Software” as defined in Article 9), systems, manuals, procedures, disks, tapes and all other storage media and memory.

“Debtor” shall have the meaning set forth in the preamble hereto.

“Default” shall mean any event which if it continued uncured would, with notice or lapse of time or both, constitute an Event of Default.

“Deposit Accounts” shall have the meaning provided in Article 9 and shall include, without limitation, any demand, time, savings, passbook or similar account maintained with a bank.

“Document” shall have the meaning provided in Article 9.

“Electronic Chattel Paper” shall have the meaning provided in Article 9.

“Equipment” shall have the meaning provided in Article 9.

“Event of Default” shall have the meaning specified in Article VI hereof.

“Fixtures” shall have the meaning provided in Article 9.

“General Intangibles” shall have the meaning provided in Article 9 and shall include, without limitation, all Payment Intangibles and all intellectual property of Debtor including all Copyrights,

Patents, Trademarks, any and all trade secrets, any and all intellectual property rights in computer software and computer software products, any and all design rights which may be available to Debtor, any and all claims for damages by way of past, present, and future infringement of any of the Debtor's intellectual property rights, any and all licenses or other rights to use any of the Copyrights, Patents, or Trademarks, and any and all license fees and royalties arising from such use to the extent permitted by such license or rights.

"Goods" shall have the meaning provided in Article 9.

"Instruments" shall have the meaning provided in Article 9.

"Insurance Proceeds" shall mean all proceeds of any and all insurance policies payable to Debtor with respect to any Collateral, or on behalf of any Collateral, whether or not such policies are issued to or owned by Debtor.

"Inventory" shall have the meaning provided in Article 9.

"Investment Property" shall have the meaning provided in the UCC.

"Lender" shall mean the Secured Party, its assigns or nominees.

"Letter of Credit Rights" shall have the meaning provided in Article 9.

"Lockbox" shall mean [REDACTED] and any successor and/or replacement post office box acceptable to the Secured Party in its sole discretion.

"Operating Account" shall mean Account No. 1892253525, in the name of Debtor with the Depository Bank, any successor and/or replacement accounts, and any and all securities, security entitlements, financial assets, investment property, commodity contracts, money, instruments, documents, goods, chattel paper, accounts, general intangibles, deposit accounts, partnership and limited liability company interests, and other property and rights of any nature now or hereafter held in or constituting part of such account, and any successor and/or replacement account.

"Patents" shall mean all patents, patent applications, and like protections including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, including without limitation the patents and patent applications set forth on Exhibit B attached hereto and shall include all amendments, extensions, renewals, and extensions of any of the foregoing.

"Payment Intangibles" shall have the meaning provided in Article 9.

"Proceeds" shall have the meaning provided in Article 9.

"Products" shall mean any goods now or hereafter manufactured, processed or assembled with any of the Collateral.

"Secured Party" shall have the meaning set forth in the preamble hereto.

“Supporting Obligations” shall have the meaning provided in Article 9.

“Tangible Chattel Paper” shall have the meaning provided in Article 9.

“Term Loan Agreement” shall have the meaning set forth in the preamble hereto.

“Trademarks” shall mean any trademark and service mark rights, whether registered or not, applications to register and registration of the same and like protections, and the entire goodwill of the business of the Debtor connected with and symbolized by such trademarks, including without limitation these set forth on Exhibit C attached hereto and shall include all amendments, extensions, renewals, and extensions of any of the foregoing.

“Treasury Management Services Controlled Lockbox and Collateral Account Service Agreement” shall mean that certain agreement, dated as of the date hereof, entered into by and among Debtor, Secured Party, and the Depository Bank pursuant to which the Depository Bank will provide certain Lockbox and Collateral Account services for the benefit of Secured Party.

“UCC” shall mean the Uniform Commercial Code as enacted in the State of New York, as amended from time to time.

ARTICLE II SECURITY INTERESTS

As security for the payment of each and every debt, liability and obligation of every type and description which Borrower may now or at any time owe to the Secured Party or to the Term Note Holders, whether now existing or hereafter arising, direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, independent, joint, several or joint and several and interest accrued on any of the foregoing, both before and after the filing of a bankruptcy petition by or against the Borrower, including obligations under the Term Loan Agreement, the Term Note(s) issued thereunder, and the other Loan Documents (the “Obligations”), Debtor hereby grants to Secured Party a security interest in all of Debtor's now owned or hereafter acquired or arising:

- Accounts;
- Chattel Paper;
- Commercial Tort Claims, if any, described on Exhibit D attached hereto and incorporated herein by reference;
- Collateral Account;
- Controlled Property;
- Deposit Accounts;
- Documents;
- Equipment and Fixtures;
- General Intangibles;
- Instruments;
- Inventory;
- Investment Property;
- Letter of Credit Rights;
- Operating Account;

Proceeds (whether cash or non-cash Proceeds, including Insurance Proceeds and non-cash Proceeds of all types);
Products of all the foregoing; and
Supporting Obligations.

**ARTICLE III
REPRESENTATIONS AND COVENANTS OF DEBTOR**

Debtor represents, warrants and covenants that except as disclosed on Exhibit D:

3.1 Authorization. The execution and performance of this Agreement have been duly authorized by all necessary action and do not and will not: (a) require any consent or approval of the stockholders of any entity, or the consent of any governmental entity; or (b) violate any provision of any indenture, contract, agreement or instrument to which it is a party or by which it is bound.

3.2 Title to Collateral. Debtor has good and marketable title to all of the Collateral and none of the Collateral is subject to any security interest except for the security interest created pursuant to this Agreement or other security interests permitted by the Term Loan Agreement (such other security interests being "Permitted Liens").

3.3 Disposition or Encumbrance of Collateral. Debtor will not encumber, sell or otherwise transfer or dispose of the Collateral without the prior written consent of Secured Party except as provided in this paragraph or for Permitted Liens. Until a Default or Event of Default has occurred and is continuing, Debtor may sell Collateral consisting of: (a) Inventory in the ordinary course of business provided that Debtor receives as consideration for such sale an amount not less than the fair market value of the Inventory at the time of such sale; and (b) Equipment and Fixtures which in the judgment of Debtor have become obsolete or unusable in the ordinary course of business, provided that all net Proceeds of such sales of Equipment and Fixtures are delivered directly to Secured Party for application to the Obligations in such order as the Secured Party may elect.

3.4 Validity of Accounts. Debtor warrants that all Collateral consisting of Accounts, Chattel Paper and Instruments included in Debtor's schedules, financial statements or books and records are bona fide existing obligations created by the sale and actual delivery of Inventory or the rendition of services to customers in the ordinary course of business, which Debtor then owns free and clear of any security interest other than the security interest created by this Agreement or other Permitted Liens and which are then unconditionally owing to Debtor without defenses, offset or counterclaim except those arising in the ordinary course of business that are immaterial in the aggregate and that the unpaid principal amount of any such Chattel Paper or Instrument and any security therefor is and will be as represented to Secured Party on the date of the delivery thereof to Secured Party.

3.5 Maintenance of Tangible Collateral. Debtor will maintain the tangible Collateral in good condition and repair. At the time of attachment and perfection of the security interest granted pursuant hereto and thereafter, all tangible Collateral will be located and will be maintained only at the locations set forth on Exhibit D hereto. Except as otherwise permitted by Section 3.3, Debtor will not remove such Collateral from such locations unless, prior to any such removal, Debtor has given written notice to Secured Party of the location or locations to which Debtor desires to remove

IN WITNESS WHEREOF, the undersigned has executed this Security Agreement as of the date and year first above written.

MLO PRODUCTS, INC.,
a California corporation


By: 
Its: Chief Financial Officer

EXHIBIT C

LIST OF REGISTERED TRADEMARKS AND TRADEMARK APPLICATIONS

Mark	Registration No./ Application No.	Country or Region
CARB CRUNCHERS	120418600	Canada
LOW CARB CRUNCH	120418700	Canada
PERFECT FIT	118216700	Canada
POWERSPORT	118216800	Canada
CARB CRUNCHERS	3618402	CTM
LOW CARB CRUNCH	3622982	CTM
MLO & design	1101328	CTM
MLO & design	235366	Czech Republic
HARD BODY	4092193	Japan
MLO	2005666	Japan
MLO & design	4092192	Japan
CARB CRUNCHERS	78/276,990	USA
GENISOY	2,090,101	USA
HARD BODY	1,601,841	USA
LOW CARB CRUNCH	78/276,994	USA
MLO & design	1,282,064	USA
MUS-L-ON	1,445,928	USA
PERFECT FIT	76/526,545	USA
THE MAGIC OF SOY	2,137,457	USA
XTREME KRUNCH	76/325,570	USA