

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

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

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

Tab settings

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

1. Name of conveying party(ies):
Torrex Equipment Corporation
4777 Bennett Drive, Suite E
Livermore, California 94560

Individuals Association
 General Partnership Limited Partnership
 Corporation-State CA
 Other

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

2. Name and address of receiving party(ies)
Name: **Idanta Partners Ltd., as collateral**
Internal **agent on behalf of the secured**
Address: **parties**

Street Address: **9255 Town Center Dr., Ste.**
925
City: **San Diego** State: **CA** Zip: **92121**

Individual(s) citizenship
 Association
 General Partnership
 Limited Partnership **Texas**
 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: **May 22, 2003**

4. Application number(s) or registration number(s):
A. Trademark Application No.(s)
75/577,288; 75/581,978; 75/577,289;
76/026,208; 75/581,979

B. Trademark No.(s)

Additional numbers attached? Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:
Name: **Diana Sanchez Bentz**
Internal Address:
Cooley Godward LLP
5 Palo Alto Square
Street Address: **3000 El Camino Real**
City: **Palo Alto** State: **CA** Zip: **94306**

6. Total number of applications and trademarks involved. **5**

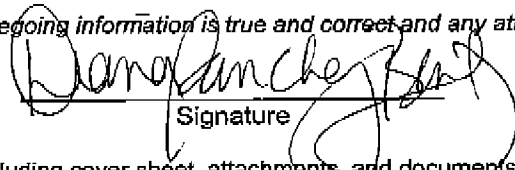
7. Total fee (37 CFR 3.41)..... \$ **140.00**

Enclosed
 Authorized to be charged to deposit account

8. Deposit account number:
03-3115
(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.

Diana Sanchez Bentz  **May 30, 2003**
Name of Person Signing Signature Date

Total number of pages including cover sheet, attachments, and documents: **20**

206700-100/ 407158/J.Brottern/Right fax to 703-306-5995

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

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of May 22, 2003 ("*Security Agreement*"), is made by and among Torrex Equipment Corporation, a California corporation ("*Grantor*"), the secured parties listed on the signature pages hereto (each, a "*Secured Party*" and, collectively, the "*Secured Parties*") and Idanta Partners Ltd., in its capacity as Collateral Agent (as defined below) on behalf of the Secured Parties.

RECITALS

A. Each Secured Party has made and may in the future make certain advances of money and extend certain financial accommodation to Grantor (collectively, the "*Loans*") as evidenced by those certain Secured Promissory Notes executed by Grantor in favor of each Secured Party (each, a "*Note*" and, collectively, the "*Notes*") issued pursuant to that certain Note and Warrant Purchase Agreement dated May 22, 2003 by and between Grantor and the Secured Parties (the "*Purchase Agreement*").

B. The Secured Parties are willing to make the Loans to Grantor, but only upon the condition, among others, that Grantor shall have executed and delivered to the Secured Parties this Security Agreement.

AGREEMENT

NOW, THEREFORE, in order to induce the Secured Parties to make the Loans and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, Grantor hereby represents, warrants, covenants and agrees as follows:

1. **DEFINED TERMS.** When used in this Security Agreement the following terms shall have the following meanings (such meanings being equally applicable to both the singular and plural forms of the terms defined):

"*Bankruptcy Code*" means Title XI of the United States Code.

"*Collateral*" shall have the meaning assigned to such term in Section 2 of this Security Agreement.

"*Contracts*" means all contracts (including any customer, vendor, supplier, service or maintenance contract), leases, licenses, undertakings, purchase orders, permits, franchise agreements or other agreements (other than any right evidenced by Chattel Paper, Documents or Instruments), whether in written or electronic form, in or under which Grantor now holds or hereafter acquires any right, title or interest, including, without limitation, with respect to an Account, any agreement relating to the terms of payment or the terms of performance thereof.

"*Copyright License*" means any agreement, whether in written or electronic form, in which Grantor now holds or hereafter acquires any interest, granting any right in or to any Copyright or Copyright registration (whether Grantor is the licensee or the licensor thereunder)

including, without limitation, licenses pursuant to which Grantor has obtained the exclusive right to use a copyright owned by a third party.

"Copyrights" means all of the following now owned or hereafter acquired or created (as a work for hire for the benefit of Grantor) by Grantor or in which Grantor now holds or hereafter acquires or receives any right or interest, in whole or in part: (a) all copyrights, whether registered or unregistered, held pursuant to the laws of the United States, any State thereof or any other country; (b) registrations, applications, recordings and proceedings in the United States Copyright Office or in any similar office or agency of the United States, any State thereof or any other country; (c) any continuations, renewals or extensions thereof; (d) any registrations to be issued in any pending applications, and shall include any right or interest in and to work protectable by any of the foregoing which are presently or in the future owned, created or authorized (as a work for hire for the benefit of Grantor) or acquired by Grantor, in whole or in part; (e) prior versions of works covered by copyright and all works based upon, derived from or incorporating such works; (f) income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to copyrights, including, without limitation, damages, claims and recoveries for past, present or future infringement; (g) rights to sue for past, present and future infringements of any copyright; and (h) any other rights corresponding to any of the foregoing rights throughout the world.

"Event of Default" means (i) any failure by Grantor forthwith to pay or perform any of the Secured Obligations, (ii) any material breach by Grantor of any warranty, representation, or covenant set forth herein, provided that Grantor has been given notice of such breach and has not cured such breach, if curable, within thirty days of such notice, or (iii) any "Event of Default" as defined in the Note.

"Intellectual Property" means any intellectual property, in any medium, of any kind or nature whatsoever, now or hereafter owned or acquired or received by Grantor or in which Grantor now holds or hereafter acquires or receives any right or interest, and shall include, in any event, any Copyright, Trademark, Patent, trade secret, customer list, internet domain name (including any right related to the registration thereof), proprietary or confidential information, mask work, source, object or other programming code, invention (whether or not patented or patentable), technical information, procedure, design, knowledge, know-how, software, data base, data, skill, expertise, recipe, experience, process, model, drawing, material or record.

"License" means any Copyright License, Patent License, Trademark License or other license of rights or interests, whether in-bound or out-bound, whether in written or electronic form, now or hereafter owned or acquired or received by Grantor or in which Grantor now holds or hereafter acquires or receives any right or interest, and shall include any renewals or extensions of any of the foregoing thereof.

"Lien" means any mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

"Majority Lenders" means any Secured Party or group of Secured Parties holding Notes evidencing at least a majority of the outstanding and unpaid principal under all Notes held by all Secured Parties.

"Patent License" means any agreement, whether in written or electronic form, in which Grantor now holds or hereafter acquires any interest, granting any right with respect to any invention on which a Patent is in existence (whether Grantor is the licensee or the licensor thereunder).

"Patents" means all of the following in which Grantor now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and recordings thereof and all applications for letters patent of the United States or any other country, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country; (b) all reissues, divisions, continuations, renewals, continuations-in-part or extensions thereof; (c) all petty patents, divisionals and patents of addition; (d) all patents to issue in any such applications; (e) income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to patents, including, without limitation, damages, claims and recoveries for past, present or future infringement; and (f) rights to sue for past, present and future infringements of any patent.

"Permitted Lien" means: (a) any Liens existing on the date of this Security Agreement and set forth on **Schedule A** attached hereto; (b) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings, provided the same have no priority over any of Secured Party's security interests; (c) Liens (i) upon or in any Equipment acquired or held by Grantor to secure the purchase price of such Equipment or indebtedness incurred solely for the purpose of financing the acquisition of such Equipment or (ii) existing on such Equipment at the time of its acquisition, provided that the Lien is confined solely to the Equipment so acquired, improvements thereon and the Proceeds of such Equipment; (d) leases or subleases and licenses or sublicenses granted to others in the ordinary course of Grantor's business if such are otherwise permitted under this Security Agreement and do not interfere in any material respect with the business of Grantor; (e) any right, title or interest of a licensor under a license provided that such license or sublicense does not prohibit the grant of the security interest granted hereunder; (f) Liens arising from judgments, decrees or attachments to the extent and only so long as such judgment, decree or attachment has not caused or resulted in an Event of Default under the Notes; (g) easements, reservations, rights-of-way, restrictions, minor defects or irregularities in title and other similar Liens affecting real property not interfering in any material respect with the ordinary conduct of the business of Grantor; (h) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; (i) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; and (j) Liens on equipment and other personal property (including proceeds thereof and accessions thereto) securing capital or operating lease obligations on assets subject to such capital or operating leases, including, without limitation, sale and lease-back transactions otherwise permitted under this Security Agreement, and Liens on equipment leased by Grantor pursuant to an operating lease in the ordinary course of Grantor's business (including proceeds thereof and accessions thereto), all incurred solely for the purpose of financing the lease of such equipment (including Liens arising from UCC financing statements regarding such leases).

"Pro Rata" means, as to any Secured Party at any time, the percentage equivalent at such time of such Secured Party's aggregate unpaid principal amount of Notes held by such Secured Party, divided by the combined aggregate unpaid principal amount of all Notes held by all Secured Parties.

"Secured Obligations" means (a) the obligation of Grantor to repay each Secured Party all of the unpaid principal amount of, and accrued interest on (including any interest that accrues after the commencement of bankruptcy), Notes held by such Secured Party, and (b) the obligation of Grantor to pay any fees, costs or expenses of the Secured Parties or the Collateral Agent under the Notes, the Purchase Agreement or this Security Agreement.

"Security Agreement" means this Security Agreement and all Schedules hereto, as the same may from time to time be amended, modified, supplemented or restated.

"Trademark License" means any agreement, whether in written or electronic form, in which Grantor now holds or hereafter acquires any interest, granting any right in and to any Trademark or Trademark registration (whether Grantor is the licensee or the licensor thereunder).

"Trademarks" means any of the following in which Grantor now holds or hereafter acquires any interest: (a) any trademarks, tradenames, corporate names, company names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof and any applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country (collectively, the "Marks"); (b) any reissues, extensions or renewals thereof; (c) the goodwill of the business symbolized by or associated with the Marks; (d) income, royalties, damages, claims and payments now and hereafter due and/or payable with respect to the Marks, including, without limitation, damages, claims and recoveries for past, present or future infringement; and (e) rights to sue for past, present and future infringements of the Marks.

"UCC" means the Uniform Commercial Code as the same may from time to time be in effect in the State of California (and each reference in this Security Agreement to an Article thereof (denoted as a Division of the UCC as adopted and in effect in the State of California) shall refer to that Article (or Division, as applicable) as from time to time in effect, which in the case of Article 9 shall include and refer to Revised Article 9 from and after the date Revised Article 9 shall become effective in the State of California; *provided, however*, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the Secured Parties' security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of California, the term "UCC" shall mean the Uniform Commercial Code (including the Articles thereof) as in effect at such time in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

In addition, the following terms shall be defined terms having the meaning set forth for such terms in the UCC: "Account" (including health-care-insurance receivables), "Account Debtor", "Chattel Paper" (including tangible and electronic chattel paper), "Commercial Tort Claims", "Commodity Account", "Deposit Account", "Documents", "Equipment" (including all accessions and additions thereto), "Fixtures", "General Intangible" (including payment intangibles and software), "Instrument", "Inventory" (including all goods held for sale or lease or to be furnished under a contract of service, and including returns and repossessions), "Investment Property" (including securities and securities entitlements), "Letter-of-Credit Right" (whether or not the letter of credit is evidenced by a writing), "Payment Intangibles", "Proceeds", "Promissory Notes", "Securities Account", and "Supporting Obligations". Each of the foregoing defined terms shall include all of such items now owned, or hereafter acquired, by Grantor.

2. GRANT OF SECURITY INTEREST. As collateral security for the full, prompt, complete and final payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all the Secured Obligations and in order to induce the Secured Parties to cause the Loans to be made, Grantor hereby assigns, conveys, mortgages, pledges, hypothecates and transfers to the Collateral Agent, on behalf of the Secured Parties, and hereby grants to the Secured Parties, a continued, first priority security interest, subordinated only to the Permitted Liens listed on Schedule A, in all of Grantor's right, title and interest in, to and under the following, whether now owned or hereafter acquired, (all of which being collectively referred to herein as the "*Collateral*"):

- (a) All Accounts of Grantor;
- (b) All Chattel Paper of Grantor;
- (c) All Commercial Tort Claims of Grantor;
- (d) All Contracts of Grantor;
- (e) All Deposit Accounts of Grantor;
- (f) All Documents of Grantor;
- (g) All Equipment of Grantor;
- (h) All Fixtures of Grantor;
- (i) All General Intangibles of Grantor, including, without limitation, Payment Intangibles, all Copyrights, Patents, Trademarks, Licenses, designs, drawings, technical information, marketing plans, customer lists, trade secrets, proprietary or confidential information, inventions (whether or not patentable), procedures, know-how, models and data;
- (j) All Instruments of Grantor, including, without limitation, Promissory Notes;
- (k) All Inventory of Grantor;
- (l) All Investment Property of Grantor;

(m) All Letter-of Credit Rights of Grantor;

(n) All Supporting Obligations of Grantor;

(o) All property of Grantor held by any Secured Party, or any other party for whom any Secured Party is acting as agent hereunder, including, without limitation, all property of every description now or hereafter in the possession or custody of or in transit to any Secured Party or such other party for any purpose, including, without limitation, safekeeping, collection or pledge, for the account of Grantor, or as to which Grantor may have any right or power;

(p) All other goods and personal property of Grantor, wherever located, whether tangible or intangible, and whether now owned or hereafter acquired, existing, leased or consigned by or to Grantor; and

(q) To the extent not otherwise included, all Proceeds of each of the foregoing and all accessions to, substitutions and replacements for and rents, profits and products of each of the foregoing.

Notwithstanding the foregoing provisions of this Section 2, the grant, assignment and transfer of a security interest as provided herein shall not extend to, and the term "*Collateral*" shall not include: (a) "intent-to-use" trademarks at all times prior to the first use thereof, whether by the actual use thereof in commerce, the recording of a statement of use with the United States Patent and Trademark Office or otherwise or (b) any Contract, Instrument or Chattel Paper in which Grantor has any right, title or interest if and to the extent such Contract, Instrument or Chattel Paper includes a provision containing a restriction on assignment such that the creation of a security interest in the right, title or interest of Grantor therein would be prohibited and would, in and of itself, cause or result in a default thereunder enabling another person party to such Contract, Instrument or Chattel Paper to enforce any remedy with respect thereto; *provided* that the foregoing exclusion shall not apply if (i) such prohibition has been waived or such other person has otherwise consented to the creation hereunder of a security interest in such Contract, Instrument or Chattel Paper or (ii) such prohibition would be rendered ineffective pursuant to Sections 9-407(a) or 9-408(a) of the UCC, as applicable and as then in effect in any relevant jurisdiction, or any other applicable law (including the Bankruptcy Code) or principles of equity); *provided further* that immediately upon the ineffectiveness, lapse or termination of any such provision, the Collateral shall include, and Grantor shall be deemed to have granted a security interest in, all its rights, title and interests in and to such Contract, Instrument or Chattel Paper as if such provision had never been in effect; and *provided further that* the foregoing exclusion shall in no way be construed so as to limit, impair or otherwise affect any Secured Party's unconditional continuing security interest in and to all rights, title and interests of Grantor in or to any payment obligations or other rights to receive monies due or to become due under any such Contract, Instrument or Chattel Paper and in any such monies and other proceeds of such Contract, Instrument or Chattel Paper.

3. RIGHTS OF SECURED PARTIES; COLLECTION OF ACCOUNTS.

(a) Notwithstanding anything contained in this Security Agreement to the contrary, Grantor expressly agrees that it shall remain liable under each of its Contracts and each

of its Licenses to observe and perform all the conditions and obligations to be observed and performed by it thereunder and that it shall perform all of its duties and obligations thereunder, all in accordance with and pursuant to the terms and provisions of each such Contract or License. The Secured Parties and the Collateral Agent shall not have any obligation or liability under any Contract or License by reason of or arising out of this Security Agreement or the granting to the Secured Parties or the Collateral Agent of a lien therein or the receipt by any Secured Party of any payment relating to any Contract or License pursuant hereto, nor shall any Secured Party or the Collateral Agent be required or obligated in any manner to perform or fulfill any of the obligations of Grantor under or pursuant to any Contract or License, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or License, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) The Secured Parties and Collateral Agent authorize Grantor to collect its Accounts. Upon the occurrence and during the continuance of any Event of Default, at the request of the Collateral Agent, Grantor shall deliver all original and other documents evidencing and relating to the performance of labor or service which created such Accounts, including, without limitation, all original orders, invoices and shipping receipts.

(c) The Collateral Agent, with the written consent of the Majority Lenders, may at any time, upon the occurrence and during the continuance of any Event of Default, notify Account Debtors of Grantor, parties to the Contracts of Grantor, obligors in respect of Instruments of Grantor and obligors in respect of Chattel Paper of Grantor that the Accounts and the right, title and interest of Grantor in and under such Contracts, Instruments and Chattel Paper have been assigned to the Secured Parties and that payments shall be made directly to the Collateral Agent for distribution to the Secured Parties. Upon the request of the Collateral Agent, Grantor shall so notify such Account Debtors, parties to such Contracts, obligors in respect of such Instruments and obligors in respect of such Chattel Paper. Upon the occurrence and during the continuance of any Event of Default, the Collateral Agent may, in its name or in the name of others, communicate with such Account Debtors, parties to such Contracts, obligors in respect of such Instruments and obligors in respect of such Chattel Paper to verify with such parties, to the Collateral Agent's satisfaction, the existence, amount and terms of any such Accounts, Contracts, Instruments or Chattel Paper.

4. REPRESENTATIONS AND WARRANTIES. Grantor hereby represents and warrants to the Secured Parties that:

(a) Except for the security interest granted to the Secured Parties under this Security Agreement and Permitted Liens, Grantor is the sole legal and equitable owner of each item of the Collateral in which it purports to grant a security interest hereunder.

(b) No effective security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral exists, except such as may have been filed by Grantor in favor of the Secured Parties and the Collateral Agent pursuant to this Security Agreement and except for Permitted Liens.

(c) This Security Agreement creates a legal and valid security interest on and in all of the Collateral in which Grantor now has rights.

(d) Grantor's taxpayer identification number is, and chief executive office, principal place of business, and the place where Grantor maintains its records concerning the Collateral are presently located at the address set forth on the signature page hereof. The Collateral, other than Deposit Accounts, Securities Accounts, Commodity Accounts and motor vehicles, is presently located at such address and at such additional addresses set forth on **Schedule B** attached hereto.

(e) All Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks and Trademark Licenses now owned, held or in which Grantor otherwise has any interest are listed on **Schedule C** attached hereto. Grantor shall amend **Schedule C** from time to time within twenty (20) business days after the filing of any application for a Patent, Trademark or Copyright or the issuance of any Patent or registration of any Trademark or Copyright to reflect any additions to or deletions from this list. Except as set forth on **Schedule C**, none of the Patents, Trademarks or Copyrights has been licensed to any third party.

5. **COVENANTS.** Unless the Majority Lenders otherwise consent (which consent shall not be unreasonably withheld), Grantor covenants and agrees with the Secured Parties that from and after the date of this Security Agreement and until the Secured Obligations have been performed and paid in full:

5.1 **Disposition of Collateral.** Grantor shall not sell, lease, transfer or otherwise dispose of any of the Collateral (each, a "*Transfer*"), or attempt or contract to do so, other than (a) the sale of Inventory in the ordinary course of business, (b) the granting of non-exclusive Licenses in the ordinary course of business and (c) the disposal of worn-out or obsolete Equipment.

5.2 **Change of Jurisdiction of Organization, Relocation of Business or Collateral.** Grantor shall not change its jurisdiction of organization, relocate its chief executive office, principal place of business or its records, or allow the relocation of any Collateral (except as allowed pursuant to Section 5.1 immediately above) from such address(es) provided to the Secured Parties pursuant to Section 4(d) above without twenty (20) days prior written notice to the Collateral Agent.

5.3 **Limitation on Liens on Collateral.** Grantor shall not, directly or indirectly, create, permit or suffer to exist, and shall defend the Collateral against and take such other action as is necessary to remove, any Lien on the Collateral, except (a) Permitted Liens and (b) the Lien granted to the Secured Parties and the Collateral Agent under this Security Agreement.

5.4 **Insurance.** Grantor shall maintain insurance policies insuring the Collateral against loss or damage from such risks and in such amounts and forms and with such companies as are customarily maintained by businesses similar to Grantor.

5.5 **Taxes, Assessments, Etc.** Grantor shall pay promptly when due all property and other taxes, assessments and government charges or levies imposed upon, and all

claims (including claims for labor, materials and supplies) against, the Equipment, Fixtures or Inventory, except to the extent the validity thereof is being contested in good faith and adequate reserves are being maintained in connection therewith.

5.6 Registration of Intellectual Property Rights. Grantor shall promptly register or cause to be registered any Copyright, Patent or Trademark developed or acquired by Grantor after the date of this Security Agreement which, individually or in the aggregate, is material to the conduct of Grantor's business, with the United States Copyright Office or Patent and Trademark Office, as applicable, including, without limitation, any additions to the rights and interests of Grantor listed on **Schedule C** hereto, prior to the sale or licensing of any product containing such rights and interests.

5.7 Notification Regarding Changes in Intellectual Property. Grantor shall:

(a) promptly advise the Collateral Agent of any subsequent ownership right or interest of the Grantor in or to any Copyright, Patent, Trademark or License not specified on **Schedule C** hereto and shall permit the Collateral Agent to amend such Schedule, as necessary, to reflect any addition or deletion to such ownership rights;

(b) promptly give Collateral Agent written notice of any applications or registrations of intellectual property rights filed with the United States Patent and Trademark Office, including the date of such filing and the registration or application numbers, if any; and

(c) (i) give Collateral Agent not less than 20 days prior written notice of the filing of any applications or registrations with the United States Copyright Office, including the title of such intellectual property rights to be registered, as such title will appear on such applications or registrations, and the date such applications or registrations will be filed, and (ii) prior to the filing of any such applications or registrations, shall execute such documents as Collateral Agent may reasonably request for Collateral Agent to maintain its perfection and priority in such intellectual property rights to be registered by Grantor, and upon the request of Collateral Agent, shall file such documents simultaneously with the filing of any such applications or registrations. Upon filing any such applications or registrations with the United States Copyright Office, Grantor shall promptly provide Collateral Agent with (x) a copy of such applications or registrations, without the exhibits, if any, thereto, (y) evidence of the filing of any documents requested by Collateral Agent to be filed for Collateral Agent to maintain the perfection and priority of its security interest in such intellectual property rights, and (z) the date of such filing.

(d) Collateral Agent may audit Grantor's Intellectual Property to confirm compliance with this Section 5.7, provided such audit may not occur more often than once per year, unless an Event of Default has occurred and is continuing. Collateral Agent shall have the right, but not the obligation, to take, at Grantor's sole expense, any actions that Grantor is required under this Section 5.7 to take but which Grantor fails to take, after ten (10) days' notice to Grantor. Grantor shall reimburse and indemnify Collateral Agent for all reasonable costs and reasonable expenses incurred in the reasonable exercise of its rights under this Section 5.7.

5.8 Defense of Intellectual Property. Grantor shall use commercially reasonable efforts to (i) protect, defend and maintain the validity and enforceability of the Copyrights, Patents and Trademarks, (ii) use its best efforts to detect infringements of the Copyrights, Patents and Trademarks and promptly advise the Collateral Agent in writing of material infringements detected and (iii) not allow any Copyrights, Patents or Trademarks to be abandoned, forfeited or dedicated to the public without the written consent of the Collateral Agent or the Majority Lenders unless reasonable business practice would determine that any such abandonment is appropriate.

5.9 Further Assurances; Pledge of Instruments. At any time and from time to time, upon the written request of the Collateral Agent, and at the sole expense of Grantor, Grantor shall promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Collateral Agent may reasonably deem necessary or desirable to obtain the full benefits of this Security Agreement, including, without limitation, (a) executing, delivering and causing to be filed any financing or continuation statements (including "in lieu" continuation statements) under the UCC with respect to the security interests granted hereby, (b) at the Collateral Agent's reasonable request, filing or cooperating with the Collateral Agent in filing any forms or other documents required to be recorded with the United States Patent and Trademark Office, United States Copyright Office, (c) at the Collateral Agent's reasonable request, executing and delivering or causing to be delivered written notice to insurers of the Secured Parties' and the Collateral Agent's security interest in, or claim in or under, any policy of insurance (including unearned premiums) and (d) at the Collateral Agent's reasonable request, using commercially reasonable efforts to obtain acknowledgments from bailees having possession of any Collateral and waivers of liens from landlords and mortgagees of any location where any of the Collateral may from time to time be stored or located. The Collateral Agent may at any time and from time to time file financing statements, continuation statements (including "in lieu" continuation statements) and amendments thereto that describe the Collateral as described herein or words of similar effect to continue to perfect the security interest granted hereunder with respect to all or any of the Collateral in accordance with the grant hereof. Any such financing statements, continuation statements or amendments may be signed by the Collateral Agent on behalf of Grantor and may be filed at any time in any jurisdiction. Grantor also hereby authorizes the Collateral Agent to file any such financing or continuation statement (including "in lieu" continuation statements) without the signature of Grantor.

6. RIGHTS AND REMEDIES UPON DEFAULT. Beginning on the date which is ten (10) days after any Event of Default shall have occurred and while such Event of Default is continuing:

(a) The Collateral Agent, upon written consent of the Majority Lenders, may exercise in addition to all other rights and remedies granted to it under this Security Agreement, the Notes or the Purchase Agreement and under any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, Grantor expressly agrees that in any such event the Collateral Agent, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon Grantor or any other person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the

UCC and other applicable law), may (i) reclaim, take possession, recover, store, maintain, finish, repair, prepare for sale or lease, shop, advertise for sale or lease and sell or lease (in the manner provided herein) the Collateral, and in connection with the liquidation of the Collateral and collection of the accounts receivable pledged as Collateral, use any Trademark, Copyright, or process used or owned by Grantor and (ii) forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and may forthwith sell, lease, assign, give an option or options to purchase or sell or otherwise dispose of and deliver said Collateral (or contract to do so), or any part thereof, in one or more parcels at public or private sale or sales, at any exchange or broker's board or at any Secured Party's offices or elsewhere at such prices as it may deem commercially reasonable, for cash or on credit or for future delivery without assumption of any credit risk. The Collateral Agent shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of said Collateral so sold, free of any right or equity of redemption, which equity of redemption Grantor hereby releases. Grantor further agrees, at the Collateral Agent's request, to assemble its Collateral and make it available to the Collateral Agent at places which the Collateral Agent shall reasonably select, whether at Grantor's premises or elsewhere. The Collateral Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale as provided in Section 6(e), below and only after so paying over such net proceeds and after the payment by the Collateral Agent of any other amount required by any provision of law, need the Collateral Agent or any Secured Party account for the surplus, if any, to Grantor. Grantor agrees that the Collateral Agent need not give more than twenty (20) days' notice of the time and place of any public sale or of the time after which a private sale may take place and that such notice is reasonable notification of such matters. Grantor shall remain liable for any deficiency if the proceeds of any sale or disposition of its Collateral are insufficient to pay all amounts to which the Collateral Agent and the Secured Parties are entitled from Grantor, Grantor also being liable for the attorney costs of any attorneys employed by the Collateral Agent or the Secured Parties to collect such deficiency.

(b) As to any Collateral constituting certificated securities or uncertificated securities, if, at any time when Collateral Agent shall determine to exercise its right to sell the whole or any part of such Collateral hereunder, such Collateral or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under Securities Act of 1933, as amended (as so amended the "Act"), the Collateral Agent may, in its discretion (subject only to applicable requirements of law), sell such Collateral or part thereof by private sale in such manner and under such circumstances as the Collateral Agent may deem necessary or advisable, but subject to the other requirements of this Section 6(b), and shall not be required to effect such registration or cause the same to be effected. Without limiting the generality of the foregoing, in any such event the Collateral Agent may, in its discretion, (i) in accordance with applicable securities laws, proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Collateral or part thereof could be or shall have been filed under the Act; (ii) approach and negotiate with a single possible purchaser to effect such sale; and (iii) restrict such sale to a purchaser who will represent and agree that such purchaser is purchasing for its own account, for investment, and not with a view to the distribution or sale of such Collateral or part thereof. In addition to a private sale as provided above in this Section 6(b), if any of such Collateral shall not be freely distributable to the public without registration under the Act at the time of any proposed sale hereunder, then the Collateral Agent shall not be required to effect such registration or cause the same to be effected but may, in their

discretion (subject only to applicable requirements of law), require that any sale hereunder (including a sale at auction) be conducted subject to such restrictions as the Collateral Agent may, in their discretion, deem necessary or appropriate in order that such sale (notwithstanding any failure so to register) may be effected in compliance with the Bankruptcy Code and other laws affecting the enforcement of creditors' rights and the Act and all applicable state securities laws.

(c) Grantor also agrees to pay all fees, costs and expenses of the Collateral Agent and the Secured Parties, including, without limitation, reasonable attorneys' fees, incurred in connection with the enforcement of any of its rights and remedies hereunder.

(d) Grantor hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Security Agreement or any Collateral.

(e) The Proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be distributed by the Collateral Agent in the following order of priorities:

FIRST, to the Collateral Agent and any Secured Party in an amount sufficient to pay in full the reasonable costs of the Collateral Agent or such Secured Party in connection with such sale, disposition or other realization, including all fees, costs, expenses, liabilities and advances incurred or made by the Collateral Agent or any Secured Party in connection therewith, including, without limitation, reasonable attorneys' fees;

SECOND, to the holder of any Permitted Liens on Schedule A (the "**Holder**") who ranks in priority to the Secured Parties, in amounts proportional to the Pro Rata share of the then unpaid secured debt owed to each Holder;

THIRD, to the Secured Parties in amounts proportional to the Pro Rata share of the then unpaid Secured Obligations of each Secured Party; and

FINALLY, upon payment in full of the Secured Obligations, to Grantor or its representatives, in accordance with the UCC or as a court of competent jurisdiction may direct.

7. **ACTIONS BY THE SECURED PARTIES AND AMENDMENTS.** All actions, omissions and decisions of the Secured Parties hereunder or any amendment of this Security Agreement, the Notes and/or the Purchase Agreement (each called herein an "**Act of the Secured Parties**") shall be determined by and require the written consent of the Majority Lenders. Each Secured Party shall take such actions and execute such documents as may be necessary to confirm or accomplish any Act of the Secured Parties.

8. COLLATERAL AGENT.

8.1 **Appointment.** The Secured Parties hereby appoint Idanta Partners as the "**Collateral Agent**" for the Secured Parties under this Security Agreement to serve from the date hereof until the termination of this Security Agreement. Notwithstanding anything to the

contrary in this Security Agreement, the Collateral Agent may be removed or replaced with the written consent of the Majority Lenders.

8.2 Powers and Duties of Collateral Agent, Indemnity by Secured Parties.

(a) Each Secured Party hereby irrevocably authorizes the Collateral Agent to take all actions, to make all decisions and to exercise all powers and remedies on its behalf under the provisions of this Security Agreement, including without limitation all such actions, decisions and powers as are reasonably incidental thereto. The Collateral Agent may execute any of its duties hereunder by or through agents, designees or employees.

(b) Neither the Collateral Agent nor any of its partners, directors, members, officers, agents, designees or employees (collectively, "*Indemnified Persons*") shall be liable or responsible to any Secured Party for any action taken or omitted to be taken in good faith by Collateral Agent or any other such Indemnified Persons hereunder or under any related agreement, instrument or document, nor shall any Indemnified Person be liable or responsible to the Secured Parties for (i) the validity, effectiveness, sufficiency, enforceability or enforcement of the Notes, this Security Agreement or any instrument or document delivered hereunder or relating hereto or thereto; (ii) the title of Grantor to any of the Collateral or the freedom of any of the Collateral from any prior or other liens or security interests; (iii) the determination, verification or enforcement of Grantor's compliance with any of the terms and conditions of this Security Agreement; (iv) the failure by Grantor to deliver any instrument, agreement, financing statement or other document required to be delivered pursuant to the terms hereof; or (v) the receipt, disbursement, waiver, extension or other handling of payments or proceeds made or received with respect to the Collateral, the servicing of the Collateral or the enforcement or the collection of any amounts owing with respect to the Collateral.

(c) Each of the Secured Parties agrees to pay to the Collateral Agent, promptly on demand, its Pro Rata share of all reasonable fees, taxes and expenses incurred in connection with the operation and enforcement of this Security Agreement, the Notes or any related agreement or document. Each of the Secured Parties hereby agrees to hold the Collateral Agent harmless, and to indemnify the Indemnified Persons from and against any and all loss, damage, taxes, expense or liability which may be incurred by such Indemnified Persons under this Security Agreement and the transactions contemplated hereby and any related agreement or other instrument or document, as the case may be, unless such liability shall be caused by the willful misconduct or gross negligence of such Indemnified Persons.

8.3 No Reliance. Each Secured Party represents to the Collateral Agent that it has made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and credit worthiness of the Grantor, and made its own decision to enter into this Security Agreement and to extend credit to the Grantor independently based on such documents and information as it has deemed appropriate and without reliance upon the Collateral Agent or any of its partners, directors, members, officers, agents, designees or employees. Each Secured Party agrees that the Collateral Agent shall not have any duty or responsibility to provide any Secured Party with any credit or other information concerning the business, prospects, operations, property, financial and other condition or credit worthiness of the Grantor.

9. REINSTATEMENT. This Security Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Grantor for liquidation or reorganization, should Grantor become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Grantor's property and assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Secured Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

10. MISCELLANEOUS.

10.1 Waivers; Amendments. None of the terms or provisions of this Security Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by Grantor, the Collateral Agent and the Majority Lenders. Each Secured Party acknowledges that because this Security Agreement may be amended, or any provision or rights herein waived, with the consent of the Majority Lenders, each Secured Party's rights hereunder may be amended or waived without such Secured Party's consent.

10.2 Termination of this Security Agreement. Subject to Section 9 hereof, this Security Agreement shall terminate upon the payment and performance in full of the Secured Obligations.

10.3 Successor and Assigns. This Security Agreement and all obligations of Grantor hereunder shall be binding upon the successors and assigns of Grantor, and shall, together with the rights and remedies of the Secured Parties hereunder, inure to the benefit of the Secured Parties, any future holder of any of the indebtedness and their respective successors and assigns. No sales of participations, other sales, assignments, transfers or other dispositions of any agreement governing or instrument evidencing the Secured Obligations or any portion thereof or interest therein shall in any manner affect the lien granted to the Secured Parties hereunder.

10.4 Governing Law. In all respects, including all matters of construction, validity and performance, this Security Agreement and the Secured Obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of California applicable to contracts made and performed in such state, without regard to the principles thereof regarding conflict of laws, except to the extent that the UCC provides for the application of the law of Grantor's State.

[Signature pages follow.]

IN WITNESS WHEREOF, each of the parties hereto has caused this Security Agreement to be executed and delivered by its duly authorized officer on the date first set forth above.

ADDRESS OF GRANTOR

TORREX EQUIPMENT CORPORATION, as Grantor

4777 BENNETT DRIVE
SUITE G
LIVERMORE, CA 94550

By: Julio L. Guardado
Printed Name: JULIO L GUARDADO
Title: PRES & CEO

TAXPAYER IDENTIFICATION NUMBER OF GRANTOR

JURISDICTION OF ORGANIZATION OF GRANTOR

California

IDANTA PARTNERS, as Collateral Agent and Secured Party

By: _____
Printed Name: _____
Title: _____

_____, as Secured Parties

By: _____
Printed Name: _____
Title: _____

IN WITNESS WHEREOF, each of the parties hereto has caused this Security Agreement to be executed and delivered by its duly authorized officer on the date first set forth above.

ADDRESS OF GRANTOR

TORREX EQUIPMENT CORPORATION, as Grantor

By: _____

Printed Name: _____

Title: _____

TAXPAYER IDENTIFICATION NUMBER OF GRANTOR

JURISDICTION OF ORGANIZATION OF GRANTOR

California

IDANTA PARTNERS LTD., as Collateral Agent and Secured Party

By: 

Printed Name: Jonathan Huberman

Title: General Partner

David J. Dunn, Trustee of the Dunn Family Trust
Dated 10/28/98

_____ as Secured Parties
By: 

Printed Name: David J. Dunn

Title: Trustee, Dunn Family Trust

SCHEDULE A**LIENS EXISTING ON THE DATE OF THIS SECURITY AGREEMENT**

1. Venture Lending and Leasing 1; holds a blanket lien, which includes the intellectual property of the Company.
2. Venture Lending and Leasing 3; holds a blanket lien, which includes the intellectual property of the Company.
3. Venture Lending and Leasing 4; has a loan which is secured by certain scheduled assets.
4. GMAC, holds a security interest in a truck.
5. Safeline holds a security interest in a lift.
6. IFCO holds a security interest in a forklift.
7. GE Capital holds a security interest in the company's fax machines.

SCHEDULE B
LOCATION OF COLLATERAL

ENTITY	ADDRESS
Torrex Equipment Corporation	4777 Bennett Drive, Suite E Livermore, CA 94550
Torrex Equipment Corporation	4771 Arroyo Vista Suite E and H Livermore, CA 94550
Samsung Electronics Co., Ltd.	San #24 Nongeo-Ri Giheung-Eup Yongin-City Gyeonggi-Do 449-711 South Korea

SCHEDULE C
INTELLECTUAL PROPERTY

Issued U.S. Patents

- No. 5,551,985; reissued as RE36,957; issued September 3, 1996. Method and Apparatus for Cold Wall Chemical Vapor Deposition.
- No. 6,352,593; issued March 6, 2002. Mini-Batch Process Chamber.
- No. 6,352,594; issued March 6, 2002. Method and Apparatus for Improved Chemical Vapor Deposition Processes Using Tunable Temperature Controlled Gas Injectors (Mini-Batch).
- No. 6,167,837; issued January 2, 2001. Apparatus and Method for Plasma Enhanced Chemical Vapor Deposition (PECVD) in a Single Wafer Reactor.
- No. 6,321,680; issued November 27, 2001. Vertical Plasma Enhanced Process Apparatus & Method.
- No. 6,287,635; issued September 11, 2001. High Rate Silicon Deposition at Low Pressures.
- No. 6,235,652; issued May 22, 2001. High Rate Silicon Dioxide Deposition at Low Pressures.
- No. 6,506,691; issued January 14, 2003. High Rate Silicon Nitride Deposition at Low Pressures.

U.S. Patent Applications

- Application No. 10/216,079 , filed August 9, 2002. High Rate Deposition Method at Low Pressures in a Small Batch Reactor.
- Application No. 10/342151; filed January 13, 2003. Apparatus & Methods for Layer by Layer Growth of Thin Films.

Trademarks

- U.S.
- OMNIBATCH; Application No. 75/577,288, filed October 26, 1998; certificate of registration issued June 11, 2002.
 - TORREX; Application No. 75/577,289, filed October 26, 1998; certificate of registration issued April 23, 2002.
 - HVCVD; Application No. 75/581,979, filed November 3, 1998.
 - HIGH VELOCITY CVD; Application No. 75/581,978, filed November 3, 1998.
 - FLEXSTAR; Application No. 76/026,208, filed April 13, 2000; certificate of registration issued April 23, 2002.