Electronic Version v1.1 Stylesheet Version v1.1

SUBMISSION TYPE: **NEW ASSIGNMENT** NATURE OF CONVEYANCE: SECURITY AGREEMENT

### **CONVEYING PARTY DATA**

Name	Execution Date
DesalNATE, Inc.	03/07/2007

### **RECEIVING PARTY DATA**

Name:	Quatre Corporation
Street Address:	15505 Roscoe Blvd.
City:	North Hills
State/Country:	CALIFORNIA
Postal Code:	91343

#### PROPERTY NUMBERS Total: 18

Property Type	Number
Application Number:	08925055
Application Number:	08247232
Application Number:	08605747
Application Number:	07978722
Application Number:	08831450
Application Number:	09014238
Application Number:	09367517
Application Number:	09979973
Application Number:	09296475
Application Number:	09107718
Application Number:	08919293
Application Number:	09622796
Application Number:	09647299
Application Number:	10019066
Application Number:	10922060
	DATENT

PATENT **REEL: 019013 FRAME: 0080** 

500239460

Application Number:	11078989	
Application Number:	11078819	
Application Number:	11078866	

#### **CORRESPONDENCE DATA**

Fax Number: (714)546-9035

Correspondence will be sent via US Mail when the fax attempt is unsuccessful.

Phone: 714-641-5100
Email: rfish@rutan.com

Correspondent Name: Robert D. Fish, Rutan & Tucker, LLP

Address Line 1: 611 Anton Blvd., Suite 1400
Address Line 4: Costa Mesa, CALIFORNIA 92626

ATTORNEY DOCKET NUMBER: 100349.0000

NAME OF SUBMITTER: Robert D. Fish

#### Total Attachments: 27

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## **SECURITY AGREEMENT (PATENTS)**

THIS SECURITY AGREEMENT (PATENTS) (this "Agreement") is entered into as of February, 2007, by and between Quatre Corporation, a California corporation ("Secured Party"), and DesalNATE, Inc., a California corporation ("Grantor"), with reference to the following recitals:

### RECITALS

- A. Grantor has requested Secured Party to make a loan (the "Loan") to Grantor in the amount of \$613,000 in accordance with the terms of that certain Promissory Note (the "Promissory Note") of even date herewith executed by Grantor in favor of Secured Party.
- B. In order to secure Grantor's obligations under the Promissory Note, Grantor has agreed to enter into this Agreement for the benefit of Secured Party.
  - C. Grantor is the owner of the Patents (defined herein).

NOW THEREFORE, in consideration of the promises herein stated, and to induce Secured Party to make the Loan, the parties hereto agree as follows:

I.

# GRANT OF SECURITY INTEREST; OBLIGATIONS SECURED

Security Interest. To the extent permitted by applicable law, Grantor 1.1 hereby irrevocably pledges, sells, assigns, and transfers to Secured Party, and grants to Secured Party a first priority continuing lien on and security interest (the "Security Interest") in all of Grantor's right, title and interest in, whether now existing or hereafter from time to time acquired, the Collateral as described and referred to in Section 1.2 below to secure the performance of Grantor's obligations to Secured Party set forth in Section 1.3 below. In connection with the foregoing, concurrently with the execution of this Agreement, Grantor shall execute and deliver to Secured Party (a) a Recordation Form Cover Sheet in the form of that attached hereto as Exhibit "A" for the Patents (as hereinafter defined) which will be recorded (together with a copy of this Agreement) with the United States Patent and Trademark Office ("PTO") in order to show Secured Party's Security Interest in the Patents, and (b) an Assignment of Patent in the form of that attached hereto as Exhibit "B" for the Patents, which may be recorded by Secured Party (along with a Recordation Form Cover Sheet showing the Assignment) with the PTO in accordance with Section 4.1.1 below (the "Patent Assignments"). Grantor acknowledges and agrees that (i) Secured Party will file a National UCC Financing Statement (Form UCC-1), in the form of that attached hereto as Exhibit "C" ("Financing Statement"), with the California Secretary of State's Office covering the Collateral; and (ii) to the extent Secured Party believes it prudent to do so, Secured Party will file a Financing Statement covering the Collateral in any other jurisdiction where Grantor conducts business.

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- 1.2 <u>Collateral</u>. The "Collateral" in which the Security Interest is created is all of Grantor's now owned and existing and hereafter arising or acquired right, title and interest in and to the following, to the extent permitted by law:
- (a) The letters patent of the United States set forth on Exhibit "D" attached hereto, together with all patents issued by any other country based upon the claims of such United States letters patent, and all registrations, recordings, reissues, extensions, renewals, continuations, continuations-in-part and licenses thereof (the "Patents");
- (b) Any and all patent applications, whether or not currently pending in the PTO pertaining to any of the Patents, together with all patent applications in any other country based upon the claims of such United States patent applications, and all registrations, recordings, reissues, extensions, renewals, continuations, continuations-in-part and licenses thereof (the "Patent Applications");
- (c) All General Intangibles related to the Patents and the Patent Applications, including, but not limited to, payment intangibles;
- (d) All Accounts pertaining to any rights of Grantor to receive royalties, license fees or similar payments with respect to any license of the Patents and/or the Patent Applications;
  - (e) All Instruments pertaining to the Patents and Patent Applications;
  - (f) All Documents pertaining to the Patents and Patent Applications;
  - (g) All Chattel Paper pertaining to the Patents and Patent Applications;
  - (h) All Supporting Obligations pertaining to the Patents and the Patent
- (i) To the extent not listed above as original Collateral, proceeds and products of the foregoing. Secured Party's Security Interest in the Collateral shall be a continuing security interest until all obligations secured hereby have been fully and indefeasibly paid and discharged.
- 1.3 <u>Obligations Secured</u>. The Security Interest created hereby secures the following (collectively, the "Secured Obligations"):
- (a) Prompt payment or performance in full when due, whether at stated maturity, by acceleration or otherwise (including the payment of amounts which would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. § 362(a)), of all of the obligations of Grantor under the Promissory Note, including, without limitation, interest which, but for the filing of a petition in bankruptcy with respect to Grantor, would accrue on such obligations, and all of the obligations of Grantor now or hereinafter existing under this Agreement;

Applications; and



- (b) Performance and discharge of each and every obligation, covenant, and condition on Grantor's part to be performed under this Agreement;
- (c) All reasonable costs and expenses incurred by Secured Party in collecting from Grantor the indebtedness under the Promissory Note or enforcing its rights under the Promissory Note or hereunder, including without limitation, fees and expenses of counsel; and
- (d) Any of the foregoing that arises after the filing of a petition by or against Grantor under the federal Bankruptcy Code, even if the obligations do not accrue because of the automatic stay under Section 362 of the Bankruptcy Code, or otherwise.

It is the intention of Grantor that the continuing grant of security interests provided for herein shall remain as security for the payment and performance of the Secured Obligations, whether now existing or hereinafter incurred by future advances or otherwise, and whether or not contemplated by the parties at the date hereof. No notice of the continuing grant of such security interests, therefore, shall be required to be stated on the face of any document representing any such Secured Obligation nor shall it otherwise be necessary to identify any such Secured Party as being secured hereby. Any such Secured Obligation shall be deemed to have been made pursuant to Section 9204 of the Uniform Commercial Code of the State of California (the "UCC").

- Obligations, Secured Party shall take all steps necessary to release the Security Interest in the Collateral (including, but not limited to, recording all appropriate documents with the PTO and filing all appropriate termination statements with the California Secretary of State; provided, however, that Secured Party shall not be obligated to return such Collateral to Grantor, to deliver the same to the holder of any subordinate lien or to release any of Secured Party's security interests therein until it is satisfied, in its sole and absolute discretion, that all amounts which it has received in respect of the Secured Obligations are no longer subject to being recaptured under any applicable bankruptcy, insolvency or similar laws. The return of any Collateral, however effected, shall be without recourse to Secured Party, and Secured Party shall be entitled to receive appropriate documentation to such effect. The return of such Collateral shall be effected without representation or warranty and shall not entitle Grantor to any right to any endorsement.
- 1.5 <u>Definitions</u>. Capitalized terms used herein but not otherwise defined herein shall have the meanings set forth in the Promissory Note; <u>provided</u>, <u>however</u>, that the capitalized terms used above in the definition of the Collateral shall have the meanings set forth in the UCC.



#### REPRESENTATIONS AND WARRANTIES

- 2.1 <u>Representations and Warranties of Grantor</u>. Grantor hereby represents and warrants as of the execution date hereof, which representations and warranties shall be correct at all times until payment in full of the Secured Obligations, as follows:
- 2.1.1 Grantor has the requisite power and authority to own his assets and to transact the business in which he is presently engaged in and which he proposes to engage and to grant to Secured Party the Security Interest in the Collateral as herein provided;
- 2.1.2 This Agreement constitutes the legal, valid and binding obligation of Grantor, enforceable against Grantor in accordance with its terms;
- 2.1.3 Except for the Security Interest granted to Secured Party hereby, Grantor has, and will at all times during the term hereof have, good and marketable title to all and every part of the Collateral, free and clear of any mortgage, pledge, lien, security interest, encumbrance, conditional sale contract, lease, license or other title retention agreement, or any other adverse claim of any nature whatsoever (collectively, "Lien"). Except for those documents and financing statements as may have been filed in favor of Secured Party relating to this Agreement, no effective assignment, recordation of a Lien or financing statement or other instrument similar in effect covering all or any part of the Collateral is on file with the PTO or any other federal or state recording office.
- 2.1.4 Neither the execution and delivery of this Agreement by Grantor nor the effectuation by Secured Party of any of its rights and remedies hereunder, whether upon default or otherwise, will result in a breach of or constitute a default under any agreement or instrument to which Grantor is a party or by which any of the Collateral is bound, nor violate any law or any rule or regulation of any administrative agency or any order, writ, injunction or decree of any court or administrative agency, nor does any of the foregoing require the consent of any person, entity or government agency or any notice or filing with any governmental agency or body (except as may be required in connection with the perfection of the Collateral or any sale or disposition of the Collateral).
- 2.1.5 Upon the execution and delivery of this Agreement by Grantor and the filing of appropriate documents and financing statements with the appropriate governmental agencies (including, but not limited to, the PTO and the California Secretary of State's Office), Secured Party will have a perfected, first priority security interest in and to the Collateral for the full amount of all of the Secured Obligations.
- 2.1.6 There is no legal, administrative or other proceeding (including, but not limited to, any infringement action involving the Patents or Patent Applications) pending or, to Grantor's knowledge after due inquiry, threatened against Grantor's title to the Collateral or against Grantor's grant of the Security Interest therein hereunder, nor does Grantor know of any basis for the assertion of any such claim.

personal,

2.1.7 The Collateral is not, and shall not be, used or bought for personal, family or household purposes.

#### III.

#### **COVENANTS**

- 3.1 <u>Covenants</u>. Grantor covenants that, unless otherwise consented to in writing by Secured Party and until the fulfillment of all of Secured Obligations:
- 3.1.1 At any time and from time to time, at its reasonable expense, Grantor shall promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary and reasonable and requested by Secured Party, in order for Secured Party to perfect and protect the Security Interest and any other security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to the Collateral. Without limiting the generality of the foregoing, Grantor shall execute and deliver such assignments, recordation sheets, financing statements, continuation statements, and amendments thereto, and such other instruments or notices, as Secured Party may request to preserve the Security Interest and any other security interest granted or purported to be granted hereby.
- 3.1.2 Grantor shall keep and maintain at its own cost and expense satisfactory and complete records of the Collateral. For Secured Party's further security, Grantor agrees that Secured Party shall have a special property interest in all of Grantor's books and records pertaining to the Collateral and, upon the occurrence of an Event of Default (as hereinafter defined), upon reasonable notice from Secured Party, Grantor shall permit any representative of Secured Party to inspect such books and records. Grantor will not create any Chattel Paper (as such term is defined in the UCC) with respect to any of the Collateral without placing a legend on the Chattel Paper acceptable to Secured Party indicating that Secured Party has the Security Interest in the Chattel Paper.
- 3.1.3 Following the occurrence of an Event of Default, in any suit, proceeding or action brought by Secured Party relating to the Collateral for any sum owing by a third party obligor to Grantor thereunder, Grantor shall save, indemnify and keep Secured Party harmless from and against all reasonable expense, loss or damage suffered by reason of any defense, set off, counterclaims, recoupment, reduction or liability whatsoever of the obligee thereunder, arising out of a breach by Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such obligee or its successors from Grantor, and all such obligations of Grantor shall be and remain enforceable against only Grantor and shall not be enforceable against Secured Party.
- 3.1.4 Grantor shall comply in all material respects with all acts, rules, regulations, orders, decrees and directions of any governmental authority applicable to the Collateral.
- 3.1.5 Grantor shall not create, permit or suffer to exist any Lien on the Collateral, other than Secured Party's Security Interest therein. Grantor shall defend the right,

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title and interest of Secured Party in and to any of Grantor's right in and to the proceeds of the Collateral against the claims and demands of all persons whomsoever. After the date hereof, Grantor shall not voluntarily sell, assign, exchange, grant a Lien on or security interest in, transfer, encumber or otherwise dispose of any part of the Collateral, without the prior written consent of Secured Party, nor shall Grantor increase the amount of the loans from National Bank of California which are secured by other collateral of Grantor.

- 3.1.6 Grantor shall furnish to Secured Party from time to time statements and schedules as Secured Party may reasonably request further identifying and describing the Collateral and any such other reports in connection with the Collateral as Secured Party may reasonably request, all in reasonable detail (a) of any Lien or claim made or asserted against any of the Collateral (including but not limited to, infringement claims involving any of the Patents or Patent Applications), and (b) of the occurrence of any other event which would have a material adverse effect on the aggregate value of the Collateral or on the Security Interest created hereunder.
- 3.1.7 Upon reasonable prior written notice, Grantor shall permit Secured Party, by any of its officers, employees and/or agents, at any time or times during Grantor's usual business hours, to make abstracts or copies of records pertaining to the Collateral at Secured Party's cost and expense.
- 3.1.8 Grantor's records concerning the Collateral are and shall be kept at the address indicated in Section 6.1 hereof as Grantor's chief place of business and chief executive office. Grantor shall not remove any of such records from such address without the prior written consent of Secured Party. Without in any way excusing a breach of the foregoing sentence by Grantor, if for any reason any of such records concerning the Collateral shall at any time be moved to another location or locations, Grantor shall promptly notify Secured Party of any such change in the location of such records and shall execute and deliver such documents and financing statements and do such other acts and things as Secured Party may reasonably request pursuant to Section 3.1.1.
- 3.1.9 Grantor shall not change its name without giving at least thirty (30) days' prior written notice to Secured Party of any such proposed change. Without in any way excusing a breach of the foregoing sentence by Grantor, if for any reason Grantor shall change its name without giving Secured Party the aforementioned prior written notice, Grantor shall promptly notify Secured Party of any such change, and shall execute and deliver such financing statements and/or amendments and do such other acts and things as Secured Party may reasonably request pursuant to Section 3.1.1.

IV.

# SECURED PARTY'S APPOINTMENT AS ATTORNEY-IN-FACT

4.1 <u>Collection of Collateral</u>. For so long as any Secured Obligation remains outstanding, Grantor hereby irrevocably constitutes and appoints Secured Party and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Grantor and in the name of Grantor or

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in its own name, from time to time in Secured Party's reasonable discretion, for the sole purpose of carrying out the terms of this Agreement, to take, only upon the occurrence of any Event of Default and during the continuance thereof, any and all appropriate action permitted by applicable laws and to execute any and all documents and instruments which may be necessary to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives Secured Party the power and right, on behalf of Grantor, without notice to, or assent by, Grantor to do the following from and after the occurrence of an Event of Default and during the continuance thereof but subject in each case to compliance with applicable federal and state laws:

- 4.1.1 To file the Patent Assignments with the PTO and any and all other documents, instruments or certificates necessary or advisable to transfer ownership of the Collateral to Secured Party.
- 4.1.2 To ask, demand, collect, receive and give acquittances and receipts for any and all monies due or to become due under the Collateral and, in the name of Grantor or its own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of monies due under the Collateral whenever payable and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by Secured Party for the purpose of collecting any and all such monies due under the Collateral whenever payable.
- 4.1.3 (a) To direct any party liable (including, but not limited to, Account debtors and Obligors (as such terms are defined in the UCC)) for any payment under the Collateral to make payment of any and all monies due and to become due thereunder directly to Secured Party; (b) to receive payment of any and all monies, claims and other amounts due and to become due at any time in respect of or arising out of the Collateral; (c) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part hereof and to enforce any other right in respect of the Collateral; (d) to defend any suit, action or proceeding brought against Grantor with respect to the Collateral; (e) to settle, compromise or adjust any suit, action or proceeding described above in any manner it deems best and, in connection therewith, to give such discharges or releases as Secured Party may deem appropriate; and (f) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with the Collateral and to do, at Secured Party's option and Grantor's reasonable expense, at any time, or from time to time, all acts and things which Secured Party reasonably deems necessary to protect, preserve or realize upon the Collateral and Secured Party's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as Grantor might do.
- 4.2 <u>Application of Proceeds</u>. Any and all amounts received by Secured Party as attorney-in-fact shall be applied to the Secured Obligations as set forth in Subsection 5.2(c) hereof. Grantor hereby ratifies, to the extent permitted by law, all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable for so long as any Secured Obligations remain outstanding.

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#### **EVENTS OF DEFAULT AND REMEDIES**

- 5.1 <u>Events of Default</u>. The occurrence of any one or more of the following events shall constitute an "Event of Default" hereunder:
- (a) Any default or breach by Grantor under the Promissory Note, this Agreement or the Security Agreement from Grantor to Secured Party executed concurrently herewith:
- (b) Any loss, theft, damage or destruction of any material item or part of the Collateral which loss, theft, damage or destruction is not fully covered by insurance (subject to reasonable deductibles); or
- (c) Any levy upon, seizure or attachment of any material portion of the Collateral which levy, seizure or attachment is not released, stayed, bonded or vacated within thirty (30) days after the date thereof.
- may exercise any or all of its rights and remedies provided under the Promissory Note, the UCC, or as provided below, or otherwise available to Secured Party at law or in equity. Without limiting the generality of the foregoing, Grantor expressly agrees, to the extent permitted by applicable law, that in any such event Secured Party without demand of performance or other demand, advertisement or notice, of any kind except as otherwise provided herein or in the Promissory Note, may forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof. All rights and remedies of Secured Party shall be cumulative and may be exercised successively or concurrently and, to the extent consistent with the exercise of any such right, without impairment of Secured Party's Security Interest in the Collateral. Grantor shall remain liable for any deficiency if the proceeds of the Collateral are insufficient to pay all amounts to which Secured Party is entitled, Grantor also being liable for the fees of any attorneys retained by Secured Party to collect such deficiency.
- (a) Grantor also agrees to pay all costs of Secured Party, including attorneys' fees, actually incurred with respect to the collection and enforcement of any of the Secured Obligations;
- (b) Grantor hereby waives presentment, demand, protest and notice (to the extent permitted by applicable law) of any kind in connection with the remedies set forth under this Section 5.2; and
- (c) The proceeds of any realization upon all or any part of the Collateral shall be distributed by Secured Party with written notice thereof to Grantor in the following order of priority:

<u>first</u>, to Secured Party in an amount sufficient to pay in full the reasonable expenses of Secured Party included in the Secured Obligations;



second, to Secured Party in an amount equal to the then unpaid obligations and accrued and unpaid interest included in the Secured Obligations; and

finally, upon the payment in full of all of the Secured Obligations, to Grantor, in the amount of any surplus then remaining from such proceeds.

Grantor retains the risk of loss of the Collateral, and Secured Party (d) has no duty to collect any income accruing on any of the Collateral or to preserve any rights relating to the Collateral.

#### 5.3 Foreclosure Procedures.

- Following the filing of the Patent Assignments with the PTO (as (a) contemplated by Section 4.1.1 hereof), Secured Party shall have the ability to hold a private or public sale of the Collateral and, if Secured Party elects to do so, then it shall give Grantor such notice of any such private or public sale as may be required by the UCC.
- Secured Party has no obligation to attempt to satisfy the Secured (b) Obligations by collecting from any other person liable for them and Secured Party may release, modify or waive any collateral provided by any other person to secure any of the Secured Obligations, all without affecting Secured Party's rights against Grantor. Grantor waives any right it may have to require Secured Party to pursue any third person for any of the Secured Obligations.
- Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.
- Secured Party may sell the Collateral without giving any warranties as to the Collateral. Secured Party may specifically disclaim any warranties of title or This procedure will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.
- If Secured Party sells any of the Collateral upon credit, Grantor will be credited only with payments actually made by the purchaser, received by Secured Party and applied to the Secured Obligations of the Grantor. In the event the purchaser fails to pay for the Collateral, Secured Party may resell the Collateral and Grantor shall be credited with the proceeds of the sale.
- In the event Secured Party purchases any of the Collateral being (f) sold, Secured Party may pay for the Collateral by crediting some or all of the Secured Obligations of the Grantor.
- Secured Party has no obligation to marshal any assets in favor of (g) Grantor, or against or in payment of (i) the Promissory Note, (ii) any of the other Secured

Obligations, or (iii) any other obligation owned to Secured Party by Grantor or any other person or entity.

#### VI.

#### **MISCELLANEOUS**

- 6.1 <u>Continuation of Secured Party's Rights.</u> The Security Interest, this Security Agreement, and Secured Party's rights hereunder shall continue in full force and effect until the Obligations secured hereby are paid in full, even if Grantor's obligation to pay the Obligations secured hereby, or any portion thereof, is legally unenforceable. To the fullest extent permitted by law, Grantor expressly waives any right that it may have to plead any statute of limitation or repose as a defense to any demand or action with respect to the Obligations.
- 6.2 Form and Effect of Waivers. Waiver by Secured Party of any term, covenant or condition under this Security Agreement, of any default by Grantor hereunder, or any failure by Secured Party to insist upon strict performance by Grantor of any term, covenant or condition contained in this Security Agreement, shall be effective or binding on Secured Party only if made in writing by Secured Party; no such waiver shall be implied from any omission by Secured Party to take action with respect to any such term, covenant or condition or default. No express written waiver of any term, covenant or condition of this Security Agreement or default by Grantor shall affect any other term, covenant or condition or any other default or cover any other time period other than the application of any such term, covenant or condition to the matter as to which a waiver has been given or the default or time period specified in such express waiver.
- hereto shall be given in writing addressed to the parties at the addresses set forth below, and personally delivered, delivered by United States certified mail, return receipt requested, or delivered by a reputable overnight delivery service that operates on a nationwide basis. Such notices shall be deemed given and received when (a) actually delivered to the addressee's address, (b) transmitted to the addressee's fax number, set forth below during normal business hours, otherwise the following business day, and provided the original is sent the same or following day via certified or registered U.S. Mail or a reputable nationwide overnight delivery service, or (c) on the first delivery attempt if sent via certified or registered mail or via a reputable nationwide delivery service. Upon ten (10) days' prior written notice given in accordance with this Section, either party may specify any other address to which notices should be sent under this Agreement; provided, however, that notwithstanding anything to the contrary contained in this Section regarding deemed delivery, such change of address shall not be effective until actually received by the party to whom such notice is sent.

#### If to Grantor:

DesalNATE, Inc. 21550 Oxnard Street, Suite 900 Woodland Hills, CA 91367 Facsimile No.: (818) 999-6694

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### If to Secured Party:

**Ouatre Corporation** Attn: President 15505 Roscoe Boulevard North Hills, CA 91343

Facsimile No.: (818) 778-2118

- Severability of Terms. If any term of this Security Agreement, or the 6.4 application thereof to any person or circumstance, shall, to any extent, be declared invalid or unenforceable, the remainder of this Security Agreement, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Security Agreement shall be valid and enforceable to the fullest extent permitted by law.
- No Intent to Benefit Third Parties. Neither Grantor nor Secured Party intends by any provision of this Security Agreement to confer any right, remedy or benefit upon any third party, and no third party shall have any right to demand or receive any payment or information from Secured Party. Grantor agrees to indemnify Secured Party against, and to hold Secured Party harmless from, all claims, demands, liabilities, losses, obligations, causes of action, judgments, damages, costs and expenses of any nature (including without limitation costs of suit and reasonable attorneys' fees as well as any attorneys' fees and costs incurred to enforce the indemnification provision set forth in Section 3.1 hereof) that Secured Party may suffer or incur in connection with any threatened or actual claim, demand, action or proceeding made, brought or pursued by any third party to the extent the same is related in any way to this Security Agreement, the Promissory Note, or the Collateral.
- Construction of Agreement. The terms and provisions contained herein 6.6 shall, unless the context otherwise requires, have the meaning and be construed as provided in the California UCC. Headings and captions in this Security Agreement are included solely for ease of reference and are not be referred to in construing this Security Agreement. Except as otherwise expressly indicated, each reference in this Security Agreement to any particular paragraph is to a paragraph in this Security Agreement. Grantor and Secured Party acknowledge that each party and its counsel have reviewed and revised this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto,
- Time of Essence. Time is strictly of the essence as to each and every 6.7 provision of this Security Agreement.
- Successors and Assigns. This Security Agreement shall bind and shall 6.8 inure to the benefit of the heirs, legatees, executors, administrators, successors and assigns of Secured Party and shall bind all persons who become bound as a debtor to this Security Agreement. Secured Party does not consent to any assignment by Grantor except as expressly provided in this Security Agreement. Secured Party may assign its rights and interests under this Security Agreement. If an assignment is made by Secured Party, Grantor shall render performance under this Security Agreement to the assignee. Grantor waives and will not assert

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against any assignee any claims, defenses or set-offs which Grantor could assert against Secured Party except defenses which cannot be waived.

- 6.9 <u>Amendments in Writing</u>. This Security Agreement may not be amended, modified or changed, nor shall any waiver of any provision hereof be effective, except only by a written instrument signed by the party against whom enforcement of any waiver, amendment, change, modification or discharge is sought.
- 6.10 <u>Further Assurances</u>. Grantor agrees to execute any further documents, and to take any further actions, reasonably requested by Secured Party to evidence or perfect the security interest granted herein or to effectuate the rights granted to Secured Party herein.
- Waiver of Notice: Governing Law; Jurisdiction. GRANTOR HAS BEEN ADVISED BY COUNSEL IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THIS SECURITY AGREEMENT, THE INCURRENCE OF THE OBLIGATIONS AND THE EXECUTION AND DELIVERY OF ALL DOCUMENTS AND INSTRUMENTS WITH SUCH ADVICE, GRANTOR EVIDENCING AND SECURING THE SAME. EXPRESSLY WAIVES ANY CLAIM IT MIGHT HAVE UNDER THE CONSTITUTION AND LAWS OF THE UNITED STATES OR OF ANY STATE TO NOTICE AND AN OPPORTUNITY TO BE HEARD PRIOR TO THE EXERCISE OF SECURED PARTY'S RIGHTS HEREUNDER, AS SAID RIGHTS ARE SANCTIONED BY THE CALIFORNIA COMMERCIAL CODE. THIS SECURITY AGREEMENT IS BEING EXECUTED AND DELIVERED AND IS INTENDED TO BE PERFORMED IN THE STATE OF CALIFORNIA AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, EXCEPT TO THE EXTENT THAT THE UCC PROVIDES FOR THE APPLICATION OF THE LAW OF THE STATE OF GRANTOR'S GRANTOR AND SECURED PARTY HEREBY IRREVOCABLY INCORPORATION. SUBMIT TO PERSONAL JURISDICTION IN THE STATE OF CALIFORNIA, AND TO THE JURISDICTION OF ANY CALIFORNIA STATE OR FEDERAL COURT SITTING IN THE CITY OF LOS ANGELES OVER ANY SUIT, ACTION OR PROCEEDING RELATING TO THIS AGREEMENT. JURISDICTION AND VENUE OVER ANY ACTION BROUGHT TO ENFORCE THIS AGREEMENT OR ANY RELATED DOCUMENTS SHALL, AT THE ELECTION OF SECURED PARTY BE IN (AND IF ANY ACTION IS ORIGINALLY BROUGHT IN ANOTHER VENUE, THE ACTION SHALL AT THE ELECTION OF SECURED PARTY BE TRANSFERRED TO) A STATE OR FEDERAL COURT OF APPROPRIATE JURISDICTION LOCATED IN THE STATE OF CALIFORNIA AND CITY OF LOS ANGELES. GRANTOR AND SECURED PARTY HEREBY WAIVE AND AGREE NOT TO ASSERT AS A DEFENSE TO ANY ACTION OR A MOTION TO TRANSFER VENUE OF ANY ACTION (A) THAT ANY CLAIM THAT IT IS NOT SUBJECT TO SUCH JURISDICTION, (B) THAT THE ACTION IS BROUGHT IN AN INCONVENIENT FORUM, OR (C) THAT THE VENUE FOR THE ACTION IS IN ANY WAY IMPROPER.
- 6.12 <u>Counterparts.</u> This Agreement may be executed in as may counterparts as may be deemed necessary or convenient each of which when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same Agreement

Quatre \_ FINAL Patent Security Agreement - desalNATE\_ 02-01-07 12



- 6.13 <u>Integration</u>. This Agreement, the Promissory Note and the Security Agreement between Grantor and Secured Party entered into concurrently herewith embody the entire agreement and understanding between Grantor and Secured Party and supersede all prior agreements and understandings (whether written or oral) between them relating to the subject matter hereof and thereof.
- 6.14 <u>Costs and Expenses</u>. Grantor shall pay promptly after demand all costs, expenses, and attorneys' fees (including, without limitation, a reasonable allocation of overhead for in-house counsel), actually incurred by Secured Party in the enforcement of Secured Party's rights as a secured creditor thereunder or hereunder. Any judgment or order entered in any action in connection with such enforcement shall contain a specific provision providing for the recovery by the prevailing party of attorneys' fees and costs actually incurred in connection with such action. For the purposes of this section, attorneys' fees shall include, without limitation, fees incurred in the following: (a) post judgment motions; (b) contempt proceedings; (c) garnishment, levy, debtor and third party examination; (d) discovery; (e) bankruptcy litigation; and (f) appeals.

[signatures on following page]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

"GRANTOR":

DesalNATE, Inc.

By:\_\_\_

Name:

O. Coop. Devel of timene

"SECURED PARTY":

Quatre Corporation, a California corporation

By: \_\_

oHerbert F. Boeckmann

Its:

Quatre \_ FINAL Patent Security Agreement - desalNATE\_ 02-01-07 14

# EXHIBIT "A"

# FORM OF RECORDATION COVER SHEET FOR PATENTS

(See Attached)

A-1

335839\_2.DOC

#### EXHIBIT "B"

#### ASSIGNMENT OF PATENTS

This ASSIGNMENT OF PATENTS (this "Assignment") is made and entered into by DesalNATE, Inc., a California corporation ("Assignor"), as assignor, in favor of Quatre Corporation, a California corporation ("Assignee"), as assignee, with reference to the following facts and circumstances:

WHEREAS, Assignor has requested Assignee to make a loan (the "Loan") to Assignor in the amount of \$613,000 in accordance with the terms of that certain Promissory Note (the "Promissory Note") of even date herewith executed by Assignor in favor of Assignee.;

WHEREAS, Assignor and Assignee have entered into a Security Agreement dated as of February \_\_\_, 2007 (the "Agreement"), pursuant to which Assignor has agreed to secure Assignor's obligations under the Promissory Note with certain "Collateral" (as defined in the Agreement);

WHEREAS, the Collateral includes those certain letters patent, which Assignor solely owns, as set forth on Exhibit "1" attached hereto, which patents were issued by the United States Patent and Trademark Office under the patent numbers set forth on Exhibit "1" (the "Patents"); and

WHEREAS, pursuant to the terms of the Agreement, Assignor and Assignee agreed to enter into this Assignment.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

- Assignee, and Assignee hereby accepts from Assignor, all of its right, title and interest in and to the Patents together with the goodwill of the business associated with the Patents, and all common law and statutory right, title and interest in the Patents, all rights of application, registration, maintenance, renewal and protection thereof, the right to create derivative works and all rights of proceeds thereof, including rights of recovery and of legal action for past infringements and of opposition, interference and/or cancellation proceedings for protection of the Patents and any and all royalties from any licenses thereof, and Assignor hereby waives all rights of droit moral or other moral rights with respect to the Patents, including, without limitation, any and all rights of identification of authorship and any and all rights of approval, restriction or limitation on use or subsequent modifications. Assignor hereby authorizes Assignee, its successors and assigns to the fullest extent permitted by applicable law, to file in Assignee's name applications for patents in the United States and in foreign countries for the Patents, and to secure in Assignee's name the patents and registrations granted thereon.
- 2. <u>Further Assurances</u>. Assignor agrees to execute any further documents, and to take any further actions, reasonably requested by Assignee to evidence or perfect the security interest granted herein or to effectuate the rights granted to Assignee herein.

B-1

- 3. <u>Governing Law.</u> This Assignment is being executed and delivered and is intended to be performed in the State of California and shall be construed and enforced in accordance with the laws of the State of California.
- 4. <u>Successors and Assigns</u>. This Assignment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
- 5. <u>Counterparts</u>. This Assignment may be executed in as may counterparts as may be deemed necessary or convenient each of which when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same Agreement
- 6. <u>Attorneys' Fees</u>. If any party hereto commences any action or proceeding against the other party hereto arising out of or in connection with this Assignment, the prevailing party or parties, as determined by a judge or arbitrator, as the case may be, shall be entitled to recover from the unsuccessful party or parties reasonable attorneys' fees and costs of suit.

[signatures on following page]

B-2

IN WITNESS WHEREOF, the parties hereto executed and entered into this Assignment as of this 14 day of 12007.

"ASSIGNOR":

DesalNATE, Inc.

By:
Name: Part & Marketter
Title: Part & Marketter

"ASSIGNEE":

Quatre Corporation, a California corporation

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# EXHIBIT "C"

# FINANCING STATEMENT

(See Attached)

C-1

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		Woodland Hills	CA	91367	USA
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				74.7	L INC
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DUAL'S LAST	NAME	FIRST NAME	MIDULE	NAME	SUFFIX
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	DEBTOR				N.C
		/P) - insert only <u>one</u> secured party name (3a or 3b)			
					***
DUAL'S LAST	NAME	FIRST NAME	MIDDLE	NAME	SUFFIX
DRESS		ату	STATE	POSTAL CODE	COUNTRY
	evard	North Hills	CA	91343	USA
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FILING OFFICE COPY — UCC FINANCING STATEMENT (FORM UCC1) (REV. 05/22/02)

# EXHIBIT "D"

# PATENTS

(see attached schedule)

D-1

335839\_2.DOC

# DESALNATE PATENT MATTERS (AS OF JULY 20, 2006)

InternalMatterID 100349.0001US2	InternalMatterID Title 100349.0001US2 Channel Based Reverse Osmosis	MatterType Patent - US	Status Issued	SerialNumber 08/925055	ClientRefNo discharge conduit distinct from the channel
100349.0002US1	Double Faced Speed Regulated Mechanical Seal	Patent - US	Issued	08/247232	Mechanical Seal
100349.0003RE2		Patent - US	Issued	08/605747	Integral Motor Pump
100349.0003US1	Integral Motor Centrifugal Pump	Patent - US	lasmed	07/978722	Integral Motor Pump
100349.0007US3	improved Mechanical Seal for Shafts and Axles	Patent - US	penssi	08/831450	Improved Mechanical Seal
100349.0027US1	Improved Airiff Pump	Patent - US	Issued	09/014238	Air Lift Pump
100349.0029AT	Modular Filtration System	Patent - Foreign	Issued	98918153.2	parallel/serial flowpaths
100349.0029AU	Modular Filtration System	Patent - Foreign	Issued	71130/98	parallet/serial flowpaths
100349.0029CA	Modular Filtration System	Patent - Foreign	Issued	2282403	parallel/serial flowpaths
100349.0029CN	Modular Filtration System	Patent - Foreign	penssi	98804189.8	parallel/serial flowpaths
100349,0029DE	Modular Filtration System	Patent - Foreign	Issued	69818038.0	parallel/serial flowpaths
100349.0029E	Modular Filtration System	Patent - Foreign	penssi	98918153.2	parallel/serial flowpaths
100349.0029ES	Modular Filtration System	Patent - Foreign	penssi	98918153.2	parallel/serial flowpaths
100349,0029FR	Modular Filtration System	Patent - Foreign	penssi	98918153.2	parallel/serial flowpaths
100349.0029GR	Modular Fitration System	Patent - Foreign	Issued	3046875	parallel/serial flowpaths
100349.0029HK	Modular Filtration System	Patent - Foreign	penssi	00103984.2	paraliel/serial flowpaths
100349.0029ID	Modular Filtration System	Patent - Foreign	Issued	W-991205	parallel/sertal flowpaths
100349,0029IL	Modular Filtration System	Patent - Foreign	pensel	131491	paraliel/serial flowpaths
100349.0029IT	Modular Filtration System	Patent - Foreign	penes	98918153.2	parallel/serial flowpaths
100349.0029JP	Modular Filtration System	Patent - Foreign	penssi	544159/1998	parallel/serial flowpaths
100349.0029KR	Modular Filtration System	Patent - Foreign	penssi	PCT/US99/700944	parallel/sertal flowpaths
100349.0029MX	Modular Fiftration System	Patent - Foreign	Issued	998902	parallel/serial flowpaths
100349.0029NL	Modular Filtration System	Patent - Foreign	penssi	98918153.2	paralle/serial flowpaths
100349.0029RU	Modular Filtration System	Patent - Foreign	penssi	RU 99123614	parallel/serial flowpaths
100349.0029SE	Modular Filtration System	Patent - Foreign	Issued	98918153.2	parallel/serial flowpaths
100349.0029UA	Modular Filtration System	Patent - Foreign	penssi	99105459	parallel/serial flowpaths

Table, Page 1 of 5

Table, Page 2 of 5

Table, Page 3 of 5

InternalMatterID	Title	MatterType	Status	SerialNumber	CllentRefNo
100349.0051CN	Large Tube Assemblies for Reverse Osmosis	Patent - Foreign	lssued	99805167.5	series modules w
100349.0051E	Large Tube Assemblies for Reverse Osmosis	Patent - Foreign	Pending	99909594. 6	odu series m les w
100349.0051FR	Large Tube Assemblies for Reverse Osmosls	en reign Pat t	penssi	99909594.	<b>9</b> 2 '
100349.0051GR	Larga Tube Assemblies for Reverse Osmosk	P ten - eign	<b>pe</b>	. 594.	xo po .
100349.0051HK	Large Tube Assemblies for Reverse Osmosis	For gn	P ding	110318 <b>4</b> 110318 <b>4</b> 9.	series m les
100349.00511E	Large Tube Assemblies for Reverse Osmosis	a - Fore'n t Forg	pen _	0 598	<b>≯</b> ⊃ E
100349.00511L	Large Tube Assemblies for Reverse Osmosis	P tent a .	ss Issued	1381 9990 <b>9</b> 5 6	w serie series
100349.0051IN	Large Tube Assemblies for Reverse Osmosks	P en Foreign	P ding	IN/PCT_000/00262	BO E S
100349.0051IT	Large Tube Assemblies for Reverse Osmosis	1	<b>5</b>	99909594.	series odu w
100349.0051JP	Large Tube Assemblies for Reverse Osmosis		ss ss	533210	od les serie odu w
100349.0051KR	Large Tube Assemblies for Reverse Osmosis	Patent - Fore	pen _	7009562	88
100349.0051MX	Large Tube Assemblies for Reverse Osmosis	Paten - oreign	ending U	- oce	% 200 200
100349.0051NO	Large Tube Assemblies for Reverse Osmosis	1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-	ss ending	4263	weam modules w
100349.0051RU	Large Tube Assemblies for Reverse Osmosis	ช*** 5	<u>.</u>	U 2000122589 R	Series u es w es ules
100349.0051US1	Large Tube Assemblies for Reverse Osmosks	Paten - ear tall	nss <sub>l</sub>	20082 9 7 6	series u w
100349.0051VN 100349.0052US1	A Filtration System Filtration System With Modularized Energy Recovery Subsystem	Paten orei	ာ တန္တာ တန္တာ တန္တာ	08/ 855 00002 647	00
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		t <sup>-</sup> U Tabl, P ge 4 of 5	f5		

InternalMatterID	TIES	MatterType	Status	SerialNumber	ClientRefNo
100349.0055US1 Filtration Using Multiple Filtratio	Filtration Using Pressure Vessel With Multiple Filtration Channels	Patent - US	penssi	10/019066	serial filters w diluting fluid feed
100349.0055US2	100349.0055US2 Filtration System With Antl-Telescoping Device	Patent - US	Pending	10/922060	
100349.0061US	100349.0061US Filtration System With Inter-Filter Flow Controls	Patent - US	Pending	11/078989	
100349.0062US	100349.0062US Closed End Reverse Osmosis Unit	Patent - US	Pending	11/078819	
100349.0063US Configurations / Reduction Of M Osmosis Device	Configurations And Methods For Reduction Of Microbial Growth in Reverse Osmosis Devices	Patent - US	Pending	11/078866	

RECORDED: 03/14/2007