

02-27-2009

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



103550293

To the Director of the U.S. Patent

cuments or the new address(es) below.

1. Name of conveying party(ies)

Applied Semiconductor, Inc.

2. Name and address of receiving party(ies)

Name: Willard T. Jackson Trust #7, U/D/T 12/15/58

Internal Address: _____

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

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

Execution Date(s) December 10, 2008

☐ Assignment

☐ Merger

☒ Security Agreement

☐ Change of Name

☐ Joint Research Agreement

☐ Government Interest Assignment

☐ Executive Order 9424, Confirmatory License

☐ Other _____

Street Address: 1148 Cider Mill Road

City: Cornwall

State: Vermont

Country: USA

Zip: 05753

Additional name(s) & address(es) attached? ☒ Yes ☐ No

4. Application or patent number(s):

A. Patent Application No.(s)

☐ This document is being filed together with a new application.

B. Patent No.(s)

US 6325915 B1; US 6562201 B2; US 6524466 B1; US 6551491 B2;
US 6402933 B1; US 6890420 B2

Additional numbers attached? ☐ Yes ☒ No

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

Name: Willard T. Jackson

Internal Address: _____

Street Address: 1148 Cider Mill Road

City: Cornwall

State: VT Zip: 05753

Phone Number: 802-462-3445

Fax Number: _____

Email Address: Jackson2@shoreham.net

6. Total number of applications and patents involved: 6

7. Total fee (37 CFR 1.21(h) & 3.41) \$ 240

☐ Authorized to be charged to deposit account

☒ Enclosed

☐ None required (government interest not affecting title)

8. Payment Information

Deposit Account Number _____

Authorized User Name _____

9. Signature:

Signature

Date

Name of Person Signing

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

18

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

PATENT

REEL: 022320 FRAME: 0767

Item 2: Additional Receiving party:

**The Jackson-Grube Limited Partnership
1148 Cider Mill Road
Cornwall, VT 05753**

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this "Agreement"), dated as of December 10, 2008, by and between Applied Semiconductor, Inc. ("Debtor"), a Delaware corporation, and the lenders listed on Exhibit A hereto (each, a "Lender" and collectively, the "Lenders").

WITNESSETH:

THAT WHEREAS, Willard Jackson ("Jackson") loaned the Debtor \$100,008 on June 2, 2008 and \$100,008 on July 27, 2008 for an aggregate total of \$200,016 (the "Prior Loans");

WHEREAS, The Jackson-Grube Limited Partnership (for which Jackson is the general partner) (the "Jackson Partnership") has agreed to lend the Debtor an additional two hundred thousand dollars (\$200,000) to enable the Debtor to pay costs and expenses incurred to develop the Debtor's business;

WHEREAS, Jackson would like to transfer the Prior Loans to the Willard T. Jackson Trust #7, U/D/T 12/17/58 (the "Jackson Trust" and, together with Jackson and the Jackson Partnership, the "Jackson Parties") the Debtor and the Jackson Parties would like to consolidate the Prior Loans with any Loans (as defined below) made under this Agreement so that the Prior Loans shall be on the terms set forth in this Agreement and all documentation regarding the Prior Loans shall be null and void and of no further force and effect upon the execution and delivery of this Agreement;

WHEREAS, the Debtor is attempting to borrow additional amounts from third parties ("Additional Lenders");

WHEREAS, in order to induce the Jackson Parties and any Additional Lenders to make loans to Debtor, the Debtor wishes to execute and deliver this Agreement in favor of the Lenders;

NOW, THEREFORE, in consideration of the terms and conditions set forth herein and intending to be legally bound hereby, the parties agree as follows:

1. Loans.

1.1 Commitment for Loan. Subject to the terms and conditions set forth herein, each Lender agrees to loan to the Debtor the total principal amount set forth opposite such Lender's name on Exhibit A (collectively, the "Loans"), which the Debtor and the Lenders agree will not exceed \$2 million in the aggregate.

1.2 Additional Lenders. At any time after the date hereof and prior to the first anniversary of the date of this Agreement, the Debtor may accept Loans from the Jackson Parties and any Additional Lender. Upon receipt of such Loan by the Debtor, (a) such Lender shall execute and deliver to the Debtor a copy of this Agreement and (b) this Agreement and Exhibit A shall be automatically amended to add to Exhibit A

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such Additional Lender's name and/or the amount of principal being loaned to the Debtor by such Lender.

1.3 Closings.

(a) Closing. Closings (each, a "Closing") shall occur on the date a Lender makes a Loan to the Debtor.

(b) Lenders' Closing Deliveries. At each Closing, each Lender participating in such Closing shall:

(i) deposit or cause to be deposited an amount equal to such Lender's Loan in United States dollars in immediately available funds by wire transfer into the Debtor's bank account; and

(ii) deliver to Debtor an executed copy of this Agreement.

(c) Debtor's Closing Deliveries. At each Closing, the Debtor shall deliver to each Lender participating in such Closing:

(i) a Promissory Note in the form of Exhibit B hereto (the "Note"), in the amount of such Lender's Loan, which Note shall evidence the Debtor's obligation to repay such amount with interest in accordance with the terms of this Agreement and such Note; and

(ii) an executed copy of this Agreement.

1.4 Interest. Beginning on the date of issuance, each Note shall bear simple interest on the unpaid principal amount under such Note at the rate per annum equal to the rate of interest designated in the Wall Street Journal from time to time as the "Prime Rate" plus one percent. All interest shall be computed on the basis of a 365-day year, calculated based on the number of days actually elapsed (including the day the Note is issued, but excluding the day the Note is paid in full). Accrued and unpaid interest shall be payable annually on each December 31.

1.5 Maturity Date. The outstanding principal and any accrued but unpaid interest under the Notes shall be due and payable on December 10, 2011.

1.6 Prepayment. The Debtor may prepay without premium or penalty the outstanding principal and accrued interest on the Notes so long as (i) such prepayment is consented to by (x) holders of Notes representing a majority of the outstanding principal at such time (a "Majority Vote") and (y) Jackson and (ii) such prepayment is made pro rata among all Lenders based on the amount of principal and interest outstanding on the Notes. All partial prepayments shall be applied first to accrued but unpaid interest through the date of prepayment and then to reduce the unpaid principal amounts outstanding on the Notes.

1.7 Qualified Financing. Upon the occurrence of a private placement or public offering of shares of the Debtor's capital stock from which the Debtor receives gross proceeds of not less than one million dollars (\$1,000,000) (a "Qualified Financing"), the Lenders must elect (which election must be made jointly by Jackson and a Majority Vote) to either (i) convert all principal outstanding under the Notes into the capital stock issued in the Qualified Financing at a conversion rate that equals the lesser of (a) \$12 per share and (b) the average price per share paid for such capital stock in the Qualified Financing or (ii) require that the Debtor repay all outstanding Notes in full on such date. Upon a conversion of the Notes pursuant to this Section 1.7, all outstanding interest under the Notes shall be paid in full. Unless otherwise agreed by the Debtor, Jackson and a Majority Vote, after a Qualified Financing no Notes will be outstanding.

1.8 Sale of the Debtor.

(a) In the event of a Sale of the Debtor (as defined below) the Lenders must elect (which election must be made jointly by Jackson and a Majority Vote) to either (i) convert all principal outstanding under the Notes into the Debtor's common stock immediately prior to the Sale of the Debtor at a conversion rate equal to the lesser of (A) \$12 per share and (B) the average price per share paid for the Company's common stock in the Sale of the Debtor transaction or (ii) require that the Debtor repay all outstanding Notes in full on the closing of such Sale of the Debtor. Upon a conversion of the Notes pursuant to this Section 1.8, all outstanding interest under the Notes shall be paid in full.

(b) For purposes of this Section 1.8, "Sale of the Debtor" shall mean (a) the sale, merger or consolidation of the Debtor with or into any other entity, or other reorganization or similar transaction or series of transactions as a result of which the stockholders of the Debtor immediately prior to such sale, consolidation, merger, reorganization or other transaction or series of transactions own, directly or indirectly, less than 50% of the Debtor's voting power immediately after such sale, consolidation, merger, reorganization or other transaction or series of transactions or (b) a sale, lease or other disposition of all or substantially all of the assets of the Debtor, including a license or transfer of all or substantially all of the intellectual property rights of the Debtor (other than a license of the intellectual property rights of the Debtor in the ordinary course of business).

1.9 Adjustment of Conversion Price. In the event that at any time while Notes are outstanding the Debtor issues notes or any other evidence of indebtedness that (a) is convertible into the Debtor's capital stock and (b) has a conversion price that is less than the conversion price then in effect for the Notes (the "Lower Conversion Price"), the conversion prices under Sections 1.7 and 1.8 above shall be lowered without any action by the parties hereto from \$12 (or the conversion price in effect at such time) to such Lower Conversion Price.

2. Grant and Perfection of Security Interest; Obligations Secured

2.1 Security Interest. To secure the complete and punctual indefeasible payment of the Obligations (as hereinafter defined), the Debtor hereby grants to the Lenders a security interest in all of the following (collectively, the "Collateral"): all Accounts, all Instruments and Chattel Paper, all Contract Rights, all Equipment, all Fixtures, all General Intangibles (including, for the avoidance of doubt, patents and patent applications), all Insurance Policies solely to the extent that they cover one or more other items of Collateral, all Inventory and all Proceeds and any and all claims, rights and interests in any of the above and all substitutions for, additions and accessions to and proceeds thereof. Each defined term used in this Section 2.1 shall have the meaning ascribed thereto in Section 8 of this Agreement.

2.2 Obligations. The obligations secured by the Collateral (the "Obligations") are all of the indebtedness, liabilities and obligations of the Debtor to the Lenders arising under the Notes.

2.3 Further Actions by Debtor. Upon the execution of this Agreement and from time to time thereafter, the Debtor shall execute such financing statements and other instruments and documents which, in the judgment of the Lenders, may be necessary, desirable or appropriate to perfect, record or evidence the security interest of the Lenders in the Collateral. Debtor shall take such other action as the Lenders may reasonably request to perfect and continue perfected, maintain the priority of or provide notice of the security interest of the Lenders in the Collateral and to accomplish the purposes of this Agreement. Debtor will not create any chattel paper without placing a legend on the chattel paper acceptable to the Lenders indicating that the Lenders have a security interest in the chattel paper.

2.4 Grant of Security Interest in Patents. The Debtor hereby agrees not to grant any security interest in any of the Debtor's patents (other than the security interest granted under this Agreement) without the consent of Jackson and a Majority Vote.

3. Representations, Warranties and Covenants

3.1 Representations and Warranties of Debtor. The Debtor makes the following representations and warranties to the Lenders as of the date hereof and, with respect to any Lenders participating in future Closings, as of the dates of such Closings:

(a) The Debtor is, and until payment in full of the Obligations shall continue to be, a duly organized and validly existing corporation which is in good standing under the laws of the State of Delaware and has and shall continue to have the right, capacity and all necessary corporate power and authority to own its assets (including the Collateral), to carry on its business, to grant a security interest in the Collateral to the Lenders, and to execute, deliver and perform this Agreement.

(b) This Agreement has been duly executed and delivered by the Debtor and constitutes the legal, binding and enforceable obligation of the Debtor. The execution, delivery and performance of this Agreement by the Debtor and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Debtor.

(c) The grant of a security interest in the Collateral by the Debtor to the Lenders, the execution and delivery of this Agreement by the Debtor and the performance of its obligations hereunder (i) are not in violation or breach of, and do not conflict with, any of the terms or provisions of the certificate of incorporation (or charter) or bylaws of the Debtor; (ii) will not be an event which, after notice or lapse of time or both, will result in any such violation, breach or conflict; (iii) do not and will not violate any law, judgment, decree, order, rule or regulation of any governmental body, regulatory authority or court or any agreement or instrument to which the Debtor is a party or by which it or any of its property is bound and (iv) will not result in the creation or imposition of any lien or encumbrance on any asset of the Debtor except the security interest in the Collateral granted hereunder.

(d) Other than consents, authorizations and approvals that have been obtained and filings that have been made, no consent, approval or authorization of or declaration or filing with, or the taking of any other action by or in respect of, any governmental body, regulatory authority or other person or entity is required in connection with the execution, delivery and performance by the Debtor of this Agreement or the consummation of the transactions contemplated hereby except the filing of financing statements.

(e) The representations and warranties of the Debtor set forth in this Agreement shall survive until the termination of the security interest granted hereunder in accordance with the terms hereof.

3.2 Representations and Warranties of Lenders. By signing below, each Lender, severally and not jointly, represents and warrants to the Debtor as of each Closing in which such Lender participates that:

(a) This Agreement has been duly executed and delivered by such Lender and constitutes the legal, binding and enforceable obligation of such Lender. If a Lender is an entity, the execution, delivery and performance of this Agreement by such Lender and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of such Lender.

(b) Such Lender is an "Accredited Investor," as such term is defined in Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act").

(c) Such Lender (i) has such knowledge and experience in financial and business matters in general, and financial and business matters of the type in which the Debtor will engage in particular, (ii) is capable of evaluating the merits and

risks of an investment in the Debtor, (iii) is familiar with the nature of and risks attendant to an investment of this type and (iv) is financially capable of bearing the economic risk of this investment and can afford the loss of the total amount of the investment.

(d) Such Lender is fully aware that the Notes are being issued and sold to the Lenders in reliance upon the exemption provided for in Section 4(2) of the Securities Act and Rule 506 promulgated thereunder and similar exemptions provided under state securities laws on the grounds that no public offering is involved and that the representations, warranties and agreements set forth in this Agreement are essential to the claiming of such exemptions.

(e) Such Lender is purchasing Notes with such Lender's personal funds and not with the funds of any other person, firm or entity; such Lender is acquiring Notes for such Lender's personal account for investment only, and without any intention of selling or distributing all or any part thereof; such Lender has no reason to anticipate any change in personal circumstances, financial or otherwise, which would cause such Lender to sell, distribute, or necessitate or require any sale or distribution of the Notes being purchased hereunder; and no person other than such Lender has any beneficial interest in the Notes being purchased by such Lender hereunder.

3.3 Covenants of Debtor. The Debtor covenants as follows:

(a) The Debtor shall at all times defend the Collateral against any and all claims asserted by any person that are adverse to the interests of the Lenders therein.

(b) The Debtor shall pay (or cause to be paid), punctually and in full, all taxes, assessments and other governmental charges of any kind or character levied or based upon or with respect to the Collateral or its ownership or possession and shall comply with all laws, regulations, ordinances, codes, orders, judgments, decrees and other requirements of any kind or character applicable to the Collateral or the Debtor's execution or performance of this Agreement which are imposed by any court, governmental body or regulatory authority, or cause them to be complied with.

(c) In addition to the other actions required to be taken by the Debtor under other provisions of this Agreement, the Debtor shall, upon the request of the Lenders, perform every action which, in the reasonable judgment of the Lenders, is necessary or appropriate to preserve, protect or maintain the value of the Collateral and the security interest therein granted hereunder.

(d) The Debtor agrees to furnish to Jackson every two weeks beginning on the second Monday after the date of this Agreement a statement that shows the cash position of the Debtor and a summary of expenses (including amounts paid during the previous two weeks and to whom such payments were made).

3.4 Additional Covenant. The Debtor and Jackson hereby agree that all documents between the Debtor and Jackson with respect to the Prior Loans shall be null and void and of no further force and effect upon the execution and delivery of this Agreement and that Jackson shall promptly return to the Debtor any promissory notes in his possession with respect to the Prior Loans other than the Notes issued hereunder.

4. Events of Default; Remedies upon Default

4.1 Event of Default. Each of the following events and conditions is hereby defined to be an "Event of Default" for purposes of this Agreement:

- (a) the failure to pay any principal or interest under any of the Notes when due and payable;
- (b) the making of any levy on or judicial seizure or attachment of any of the Collateral which levy, seizure or attachment is not discharged, released, vacated or fully bonded within three days of such making or the exercise of any other remedies against any of the Collateral by any mortgagee, landlord, creditor or other person; and
- (c) a material breach of any of the representations, warranties or covenants contained in Section 3 of this Agreement, which is not cured within 30 days of receipt of notice from a Lender of such breach.

4.2 Remedies. Upon the occurrence of an Event of Default, the Lenders shall have (but shall have no obligation to exercise or pursue) all of the default rights, powers and remedies of a secured party under Section 9-501 et seq. of the UCC (as defined in Section 8), all of the rights, powers and remedies available at law or in equity for the enforcement of the Obligations and the realization of the benefits of this Agreement and the Collateral, and all of the following rights, powers and remedies:

- (a) to declare all of the Obligations to be immediately due and payable;
- (b) to take immediate possession of the Collateral and sell, at public or private sale or sales, lease, assign, collect, transfer or otherwise dispose of it or realize upon it;
- (c) to exercise and enforce all of the rights and powers and pursue all of the remedies of the Debtor in respect of the Collateral;
- (d) to settle, adjust or compromise any claim or dispute in respect of the Collateral; and
- (e) on behalf of the Debtor, to give receipts and to endorse checks, notes, drafts, money orders, instruments and other evidences of payment or indebtedness with respect to the Collateral.

4.3 Additional Remedies.

(a) The Lenders may apply all amounts actually realized by them resulting from the exercise of any right or power or the pursuit of any remedy after an Event of Default in such manner and in such order of priority as agreed upon by Jackson and a Majority Vote. In all events all obligors under the Obligations shall remain indebted to the Lenders for that portion of the Obligations which remains unsatisfied after the application thereto of any amounts pursuant to the immediately preceding sentence.

(b) The Debtor agrees that 20 days' prior notice of any public sale or of the time after which any private sale or other disposition is to be made is a reasonable notification. Any and all sales or other dispositions of the Collateral may, in the Lenders' sole discretion, be public or private dispositions and may include all or any part of the Collateral, in each case as agreed upon by Jackson and a Majority Vote. All such sales and other dispositions shall be at such times and places, upon such terms and conditions (including, without limitation, for cash or on credit and for immediate or future delivery) and at such price or prices as agreed upon by Jackson and a Majority Vote.

(c) The Debtor shall pay, immediately upon demand therefor, all of the costs and expenses (including counsel fees and expenses) incurred by the Lenders in seeking to exercise any right or power or to pursue any remedy in any manner relating to the Collateral or this Agreement. The liability of the Debtor arising under this Section 4.3(c) shall be included within the Obligations secured by the Collateral.

5. Actions by Lenders: Acknowledgment

5.1 Actions by Lenders. Any action or decision to be made by the Lenders hereunder must be consented to by Jackson and a Majority Vote.

5.2 Acknowledgment. Each Lender hereby acknowledges and agrees that no Lender shall be (a) liable to the other Lenders for any decision or action lawfully taken or omitted to be taken by it under or in connection with this Agreement whether by Jackson and a Majority Vote or otherwise (except to the extent caused solely by such Lender's own gross negligence or willful misconduct, as determined by a final judgment of a court of competent jurisdiction) or (b) responsible in any manner to any of the Lenders for, or have any duty to ascertain, inquire into or verify (i) any recitals, statements, representations or warranties made by the Debtor in this Agreement or any of the Notes; (ii) the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any Notes; (iii) the value, genuineness, enforceability, existence, perfection or priority of any of the Collateral; or (iv) any failure of the Debtor to perform its obligations hereunder. For the avoidance of doubt, the failure to have a valid or perfected security interest in any Collateral or additional collateral shall not constitute gross negligence or willful misconduct of a Lender for purposes of this Agreement.

6. No Waiver: Cumulative Remedies

6.1 No Waiver: No waiver by the Lenders of any Event of Default hereunder or any default, breach or violation of any of the Obligations shall be

considered a waiver of any other or subsequent Event of Default or default, breach or violation, and no delay or omission by the Lenders in enforcing the rights, exercising the powers or pursuing the remedies granted herein shall be construed as a waiver of such rights, powers or remedies. No enforcement of any right, exercise of any power or pursuit of any remedy by the Lenders shall be held to exhaust such right, power or remedy, and every such right may be enforced, every such power may be exercised and every such remedy may be pursued from time to time.

6.2 Cumulative Remedies. All rights, powers and remedies of or for the benefit of the Lenders provided in this Agreement are in addition to and not in substitution of any and all other rights, powers and remedies now or hereafter existing at law or in equity. The Lenders, in addition to the rights, powers and remedies expressly provided herein, shall be entitled to exercise all other such rights and powers and resort to all other such remedies as may now or hereafter exist at law or in equity for the enforcement of the Obligations and the realization of the benefits of this Agreement and the Collateral. The resort by the Lenders to any right, power or remedy provided in this Agreement, at law or in equity, shall not prevent the concurrent or subsequent employment of any right, power or remedy provided in this Agreement, at law or in equity, until full payment and performance of the Obligations.

7. General

7.1 Amendments and Waivers. Except as set forth in Section 1.2 above, no provision of this Agreement shall be deemed waived, modified or amended except by an instrument duly executed and delivered by the Debtor, Jackson and Lenders representing a Majority Vote.

7.2 Notices. Any notice or other communication given by any party hereto relating to this Agreement shall be in writing and shall be deemed to have been given upon the earlier of its receipt by the addressee or the third business day after its posting if mailed with postage prepaid by registered or certified mail (air mail in the case of posting to an international destination), and shall be addressed as follows:

If to the Debtor:

Applied Semiconductor, Inc.
Max-Ernst-Str. 5
50354 Huerth
Germany
Attention: President

If to a Lender, to the address set forth opposite such Lender's name on Exhibit A hereto.

or to such other address as either party shall have specified by notice in writing to the other.

7.3 Further Assurances. Subsequent to the date hereof the Debtor shall, at the request of the Lenders, promptly furnish, execute and deliver such documents, instruments, certificates, notices and other further assurances as the Lenders shall reasonably require as necessary or desirable to effect complete consummation of the transactions contemplated by this Agreement.

7.4 Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

7.5 Full Force and Effect. This Agreement and the security interest granted hereunder shall remain in full force and effect in favor of the Lenders and their successors and assigns until the indefeasible payment or performance of all of the Obligations.

7.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Debtor, the Lenders, all future holders of the Note and their respective successors and assigns, except that (a) the Debtor may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of Jackson and Lenders representing a Majority Vote and (b) no Lender may assign or transfer any Notes or any of its rights or obligations under this Agreement without the prior written consent of the Debtor.

7.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of law provisions thereof.

7.8 Headings. The captions in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation hereof. The words "herein," "hereof," "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular Section. The word "including" shall mean "including, without limitation." Unless otherwise specified, each reference to a "Section" refers to a section of this Agreement. The neuter pronoun shall be deemed to include the masculine and the feminine.

7.9 Entire Agreement. This Agreement constitutes the entire agreement between the Lenders and the Debtor with respect to the subject matter hereof and supersedes all prior agreements (including all documentation with respect to the Prior Loans) between them with respect to such subject matter.

7.10 Relationship of the Parties. Except as otherwise expressly set forth herein, the relationship of the Lenders and the Debtor is and shall at all times continue to be that of creditor and debtor. The Debtor is not and shall not represent itself to be the representative, partner, joint venturer or agent of a Lender for any purpose

whatsoever, and the Debtor shall not purport to act for a Lender in the creation or assumption of any obligation or liability whatsoever.

7.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

8. Definitions

8.1 "Accounts, Instruments and Chattel Paper" shall (a) mean all presently existing or hereafter acquired or created (i) accounts, accounts receivable, chattel paper, leases of personal property, checks, drafts, securities, securities entitlements, letters of credit, certificates of deposit, acceptances and other instruments (negotiable and non-negotiable), (ii) writings which evidence both a monetary obligation and a security interest in or a lease of goods, (iii) rights to receive the payment of money or other consideration (including, without limitation, the right to receive goods) under any contract for or by virtue of goods sold or leased, services rendered, loans and advances made or other consideration given, (iv) rights under or arising out of present or future contracts or agreements for the sale, lease or other disposition of any goods or any of the Collateral, (v) claims or causes of action now existing or hereafter arising in connection with or under any agreement or document or by operation of law or otherwise, and (vi) collateral security of any kind (including, without limitation, real property mortgages) given by any person with respect to any of the foregoing, whether or not any of the foregoing has been earned by performance, and (b) include, in any event, all presently existing or hereafter acquired or created accounts, instruments and chattel paper within the meaning of the UCC.

8.2 "Contract Right" shall mean any right, now owned or hereafter acquired or created, to payment under a contract not yet earned by performance which is not included in Accounts, Instruments and Chattel Paper or General Intangibles.

8.3 "Equipment" shall mean all equipment, now owned or hereafter acquired, in all of its forms, all parts thereof and all accessions thereto.

8.4 "Fixtures" shall mean all plant fixtures, business fixtures and other fixtures and storage and office facilities, and all accessions thereto and products thereof.

8.5 "General Intangibles" shall (a) mean all presently existing or hereafter acquired or created Records, claims (including, without limitation, all claims for tax and other refunds), contracts or agreements (whether long term or short term) providing for the purchase or other acquisition of goods, causes of action, judgments, rights in and to policies of business interruption insurance, moneys due and to become due to the Debtor under licensing agreements, royalty payments, amounts receivable or received as an award in or settlement of a suit in damages, deposit accounts, patents, patent applications, trademarks, trademark registrations, trademark applications, copyrights, service names, service marks, logos, goodwill, works of authorship, trade

secrets, know-how, license rights, and any derivative work thereof, and (b) include, in any event, all presently existing or hereafter created or acquired general intangibles within the meaning of the UCC and all claims for damages by way of any past, present and future infringement of any of the foregoing.

8.6 "Insurance Policies" shall mean all rights in, to and under policies of insurance presently existing or hereafter acquired covering any of the Collateral, including, without limitation, all claims or rights to payment and proceeds heretofore or hereafter arising from such policies.

8.7 "Inventory" shall mean (i) all goods held or hereafter acquired by the Debtor for sale or lease or to be furnished under contracts of service or so leased or furnished, (ii) all raw materials, work in progress, finished goods, and materials used or consumed (or to be used or consumed) in the manufacture, packing, shipping, advertising, selling, leasing, furnishing or production of such inventory or otherwise used or consumed in Debtor's business, (iii) all goods in which Debtor has or hereafter acquires an interest in mass or a joint or other interest or right of any kind, and (iv) all goods which are returned to or repossessed by Debtor and all accessions thereto and products thereof and all negotiable and non-negotiable documents of title (including without limitation warehouse receipts, dock receipts and bills of lading) issued by any person or entity covering any Inventory.

8.8 "Proceeds" shall (a) mean any and all (i) proceeds of any insurance, indemnity, warranty or guaranty paid or payable from time to time with respect to any of the Collateral, (ii) payments (in any form whatsoever) made or due and payment from time to time in connection with the requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau or agency (or any person acting under color of government authority) and (iii) amounts from time to time paid or payable in connection with the sale, exchange or other disposition of any of the Collateral, and (b) include, in any event, all proceeds within the meaning of the UCC.

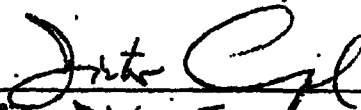
8.9 "Records" shall mean all books, correspondence, credit files, records and other documents, now or hereafter owned by the Debtor, whether presently existing or hereafter acquired or created, including, without limitation, all computer programs, computer tapes, cards and other papers and documents in the possession or control of the Debtor or in the possession or control of any affiliate of the Debtor or computer service bureau.

8.10 "UCC" shall mean the Uniform Commercial Code as in effect in the State of New York, as the same may be amended from time to time.

8.11 Other Terms. All terms used herein which are not defined herein shall have the meanings assigned thereto in the UCC.

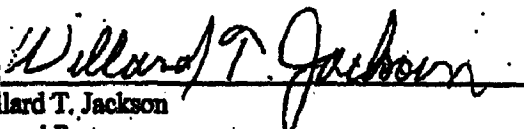
IN WITNESS WHEREOF, the Debtor and each of the Lenders has duly executed this Agreement on or as of the date first above written.

APPLIED SEMICONDUCTOR, INC.

By: 
Name: Dieter Engel
Title: CEO & President

LENDERS

**THE JACKSON-GRUBE LIMITED
PARTNERSHIP**

By: 
Willard T. Jackson
General Partner

**WILLARD T. JACKSON AS TRUSTEE FOR
THE WILLARD T. JACKSON TRUST #7, U/D/T
12/17/58**

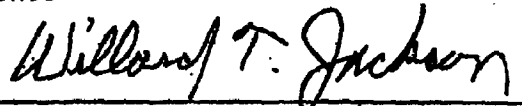
By: 
Willard T. Jackson
Trustee

Exhibit A
Schedule of Lenders

<u>Lender Name</u>	<u>Lender Address</u>	<u>Loan Amount</u>	<u>Date of Loan</u>
Willard T. Jackson Trust #7, U/D/T 12/17/58	1148 Cider Mill Road Cornwall, VT 05753	\$200,016.00	12/10/08
The Jackson-Grube Limited Partnership	1148 Cider Mill Road Cornwall, VT 05753	\$200,000	12/10/08

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EXHIBIT B

Form of Promissory Note

SECURED CONVERTIBLE PROMISSORY NOTE

\$ _____

[Date]

FOR VALUE RECEIVED, Applied Semiconductor, Inc., a Delaware corporation (the "Debtor"), hereby promises to pay to _____ (the "Lender"), on December 10, 2011 (the "Maturity Date") (i) the principal sum of _____ DOLLARS (\$) and (ii) any unpaid interest that has accrued thereon.

1. Loan Agreement. This Secured Convertible Promissory Note (this "Note") is being issued pursuant to the terms of a Loan and Security Agreement, dated as of December 10, 2008 by and between the Debtor and the Lenders listed on Exhibit A thereto (the "Loan Agreement"). The terms and conditions of this Note shall be governed by the Loan Agreement. In the event of any conflict, between this Note and the Loan Agreement, the Loan Agreement shall govern.

2. Interest. This Note shall bear simple interest on the unpaid principal amount hereunder at the rate per annum equal to the rate of interest designated in the Wall Street Journal from time to time as the "Prime Rate" plus one percent. All interest shall be computed on the basis of a 365-day year, calculated based on the number of days actually elapsed (including the day this Note is issued, but excluding the day this Note is paid in full). Accrued and unpaid interest shall be payable annually on each December 31.

3. Payment. The Debtor must pay all principal and interest when due by personal check or wire transfer in lawful currency of the United States of America at such location as the Lender designates, without setoff, counterclaim or deduction for taxes or for any other reason. Whenever any payment hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and interest shall be payable during such extension of time at the applicable rate in effect immediately prior to such extension. As used in this Note, "Business Day" means a day of the year on which banks are not required or authorized to close in New York City.

4. Prepayment. This Note may be prepaid only in accordance with the terms of the Loan Agreement.

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5. Conversion. Under certain circumstances, this Note shall be convertible into the Debtor's capital stock in accordance with the terms of the Loan Agreement.

6. Security Agreement. The obligations of the Debtor under this Note are secured under the terms of the Loan Agreement.

7. Default. Upon the occurrence of an Event of Default (as defined in the Loan Agreement), the Lender shall have the rights and remedies set forth in the Loan Agreement.

8. Maximum Interest Rate. Nothing contained in this Note shall require the Debtor to pay interest at a rate exceeding the maximum rate permitted by applicable law. If the interest payable to the Lender on any date shall exceed the maximum permissible amount, it shall be automatically reduced to the maximum permissible amount, and interest for any subsequent period, to the extent less than that permitted by applicable law, shall, to that extent, be increased by the amount of such reduction.

9. Notices. All notices, demands, elections, requests or other communications given or made under this Note shall be made in accordance with the notice provisions of the Loan Agreement.

10. Applicable Law. This Note and the rights and obligations of the Debtor and the Lender hereunder shall be governed by and interpreted and construed in accordance with the laws of the State of New York, without regard to the conflict of law provisions thereof.

11. Amendment; Waiver. This Note may only be amended in a writing executed and delivered in accordance with the Loan Agreement. Except as otherwise provided in the Loan Agreement, no waiver of any provision of this Note shall be effective unless the waiver is in writing and signed by the Lender, and then such waiver or consent shall be effective only in the specified instance and for the specific purpose for which given.

IN WITNESS WHEREOF, the Debtor has caused this Note to be executed and delivered as of _____, 200__.

APPLIED SEMICONDUCTOR, INC.

By: _____
Name:
Title:

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