

# PATENT ASSIGNMENT

Electronic Version v1.1

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SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY AGREEMENT
<b>CONVEYING PARTY DATA</b>	
Name	Execution Date
AquaShield, Inc.	04/01/2010
<b>RECEIVING PARTY DATA</b>	
Name:	First Tennessee Bank National Association
Street Address:	103 Continental Place
Internal Address:	Suite 300
City:	Brentwood
State/Country:	TENNESSEE
Postal Code:	37027
<b>PROPERTY NUMBERS Total: 2</b>	
Property Type	Number
Patent Number:	7534344
Patent Number:	7578930
<b>CORRESPONDENCE DATA</b>	
Fax Number:	(423)752-9577
<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>	
Phone:	423 752-4406
Email:	mjohnson@bakerdonelson.com, echomyn@bakerdonelson.com
Correspondent Name:	Micheline Kelly Johnson
Address Line 1:	633 Chestnut St., 1800 Republic Centre
Address Line 2:	Baker, Donelson, Bearman, Caldwell
Address Line 4:	Chattanooga, TENNESSEE 37450-1800
ATTORNEY DOCKET NUMBER:	2100000-B09876
NAME OF SUBMITTER:	Micheline Kelly Johnson
<p>Total Attachments: 9</p> <p>source=Security Agreement AQUASHIELD, INC#page1.tif</p>	

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## **SECURITY AGREEMENT**

THIS SECURITY AGREEMENT dated as of April 1, 2010, made by **AQUASHIELD, INC.** (the "Grantor" or "Aquashield"), a Tennessee corporation, in favor of **FIRST TENNESSEE BANK NATIONAL ASSOCIATION** ("Lender"), a national banking association:

### **W I T N E S S E T H:**

That for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor hereby agrees with Lender as follows:

1. **Grant of Security Interest.** As collateral security providing a first priority security interest to secure the Aquashield Obligations, as defined below, and a second priority security interest to secure the Pegasus Obligations, as defined below, Grantor hereby pledges and assigns to Lender, and grants to Lender a continuing security interest in, the following collateral (the "Collateral):

All of Grantor's interest in and to the following, whether now owned or hereafter acquired and howsoever the interest therein may arise or appear, whether by ownership, lease, security interest, claim, or otherwise, to wit:

(a) All machinery, tools, equipment, furniture, furnishings and fixtures, of every kind and nature, movable or immovable, wherever located and whether now or hereafter existing, and all parts thereof and replacements, additions and accessions thereto;

(b) All inventory, wherever located, all parts, accessions, substitutions and replacements thereto, all other inventory of every type and description now owned or hereafter acquired by Grantor, all warehouse receipts, bills of lading, and other documents of title evidencing or representing any part thereof;

(c) All accounts, accounts receivable, chattel paper, contracts, instruments and other obligations of any kind, whether or not evidenced by an instrument or chattel paper, and whether or not it has been earned by performance, whether now or hereafter existing, arising out of or in connection with the sale or lease of goods or the rendering of services or otherwise, and all rights now or hereafter existing in and to all security agreements, leases and other contracts securing or otherwise relating to any such accounts receivable;

(d) All of Grantor's contract rights and general intangibles of every kind, character and description, both now owned and hereafter acquired, including, without

limitation, goodwill, trademarks, trade styles, trade names, patents, patent applications, and deposit accounts, including without limitation the following patents:

No. US006190545B1, dated February 20, 2001, for Drainwater Treatment System for Use in a Horizontal Passageway, assigned to J. Kelly Williamson.

No. US006287459B1, dated September 11, 2001, for Drainwater Treatment System for Use in a Horizontal Passageway, assigned to J. Kelly Williamson.

No. US006524473B2, dated February 25, 2003, for Gravitational Separator and Drainwater Treatment System for Use in a Horizontal Passageway, assigned to J. Kelly Williamson.

No. US007534344B2, dated May 19, 2009, for Upflow Filtration and Method Apparatus for Stormwater Treatment, assigned to AquaShield, Inc.

No. US007578930B2, dated August 25, 2009, for Mobile Water Treatment System, assigned to AquaShield, Inc.;

(e) All judgments, causes of action, awards of damages, and settlements hereafter made by Grantor;

(f) All proceeds of hazard or other insurance policies maintained with respect to any collateral described above (whether or not the Bank is loss payee thereof); and

(g) All proceeds of any and all of the foregoing Collateral.

2. Security for Obligations. The security interest created hereby in the Collateral constitutes continuing collateral security and provides a first priority security interest to secure the Aquashield Obligations, as defined below, and a second priority security interest to secure the Pegasus Obligations, as defined below. (collectively, the "Obligations"):

(a) that certain Promissory Note executed by Aquashield (#30044923) in the original principal amount of \$750,000.00, dated July 24, 2007 (the "Aquashield Note"), and any and all renewals, modifications and extensions thereof, in whole or in part;

(b) that certain Guaranty Agreement executed by J. Kelly Williamson ("Williamson") on July 24, 2007, with regard to the Aquashield Note (the "Aquashield Guaranty")(the obligations arising under the Aquashield Note and the Aquashield Guaranty are collectively the "Aquashield Obligations");

(c) that certain Promissory Note executed by Pegasus (#30046247) in the original principal amount of \$1,400,000.00, dated October 24, 2007 (the "Pegasus Note"), and any and all renewals, modifications and extensions thereof, in whole or in part;

(d) that certain Guaranty Agreement executed by Williamson on October 24, 2007, with regard to the Pegasus Note (the "Pegasus Guaranty")(the obligations arising under the Pegasus Note and the Pegasus Guaranty are collectively the "Pegasus Obligations"); and

(e) the due performance and observance by Grantor of all of its obligations and undertakings under or pursuant to this Agreement and any other instrument or document which now or hereafter secures all or part of the indebtednesses and obligations secured hereby.

(f) The Aquashield Note and Pegasus Note are referred to hereinafter collectively as the "Notes."

3. Representations and Warranties. Grantor represents and warrants as follows:

(a) The instruments and documents currently evidencing, representing or constituting the Collateral have been, and all other instruments and documents subsequently evidencing, representing or constituting Collateral, when executed and delivered, will have been duly authorized, executed and delivered by the respective makers thereof, and are or will be, as the case may be, legal, valid and binding obligations of such makers, enforceable against such makers in accordance with their respective terms.

(b) Except for the security interest created by this Agreement and any prior security interests granted Lender, Grantor is the legal and beneficial owner of the Collateral, free and clear of (i) any lien, security interest or other charge and encumbrance and (ii) any other claim or right of any third party, including any marital rights.

(c) To the knowledge of Grantor, the exercise by Lender of its rights and remedies hereunder will not contravene any law or governmental regulation or any contractual restriction binding on or affecting Grantor or any of its properties and will not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its properties, except in favor of Lender with respect to the Collateral.

(d) To the best of the Grantor's knowledge after reasonable investigation, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or other regulatory body is required either for the grant by the Grantor of the security interest created hereby in the Collateral or for the exercise by the Lender of its rights and remedies hereunder.

(e) This Agreement creates a valid security interest in favor of Lender in the Collateral. The filing of UCC financing statements or, in the case of real property, recordation of a Deed of Trust will perfect and establish the first priority of the Lender's security interest hereunder in the Collateral, subject to no other liens and encumbrances. Except as set forth in this Section 3(e), no action is necessary or desirable to perfect or otherwise protect such security interest.

4. Covenants as to the Collateral. So long as any of the Obligations shall remain outstanding, Grantor will, unless Lender shall otherwise consent in writing:

(a) as promptly as is reasonably possible, and in any event within thirty (30) days following any change in the location of the Collateral, give Lender notice of such change in location;

(b) keep adequate records concerning the Collateral and permit Lender, its agents or representatives, at any reasonable time and from time to time to examine and make copies of and abstracts from such records;

(c) at Grantor's expense, promptly deliver to Lender a copy of each notice or other communication received by it in respect of the Collateral, other than notices from Lender to Grantor;

(d) at Grantor's expense, defend Lender's right, title and security interest in and to the Collateral against the claims of any person or entity;

(e) at Grantor's expense at any time from time to time, promptly execute and deliver all further and additional instruments and documents and take all further action that may be necessary or desirable or that Lender may request in order to (i) perfect and protect the security interests created or purported to be created hereby; (ii) enable Lender to exercise and enforce its rights and remedies hereunder in respect of the Collateral; or (iii) otherwise effect the purposes of this Agreement, including, without limitation, delivering to Lender additional items in respect of the Collateral;

(f) not sell, assign, exchange or otherwise dispose of any of the Collateral, or any interest therein;

(g) not create or suffer to exist any lien, security interest or other charge or encumbrance upon or with respect to any Collateral except for the pledge hereunder and the security interest created hereby;

(h) not make or consent to any amendment or other modification or waiver with respect to any Collateral or enter into any agreement or permit to exist any restriction with respect to any Collateral other than pursuant hereto; or

(i) not take or fail to take any action which would in any manner impair the value or enforceability of Lender's security interest in any Collateral.

5. Additional Provisions Concerning the Collateral.

(a) Grantor hereby agrees to take any action and to execute any instruments which may be necessary or advisable to accomplish the purposes of this Agreement. Grantor hereby authorizes Lender to file UCC financing statements or, in the case of real property, record a Deed of Trust relative to the Collateral.

(b) Grantor hereby irrevocably appoints Lender Grantor's attorney-in-fact and proxy, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, from time to time in Lender's discretion, upon the occurrence of and so long as an Event of Default shall continue, to give any notice, take any action and execute any instrument which Lender may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, (i) to receive, endorse and collect all instruments made payable to Grantor representing any dividend, payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same, and (ii) to give any notice, request any information, take any action and execute any instrument which Lender deems necessary to perfect, preserve and protect its position as lienholder with respect to the Collateral.

(c) If Grantor fails to perform any agreement or obligation contained herein, Lender itself may perform, or cause performance of, such agreement or obligation, and the expenses of Lender incurred in connection therewith shall be payable by Grantor pursuant to Section 8 hereof.

6. Events of Default. An Event of Default shall be deemed to have occurred hereunder upon the occurrence of:

(a) The occurrence of any "Event of Default" as defined by the Notes and related loan documents.

(b) Any default by Grantor in the full, faithful and prompt payment or performance of any covenant, agreement, liability, obligation, condition or undertaking on its part to be paid, met, kept, observed or performed pursuant to the provisions hereof or the Forbearance Agreement dated April 1, 2010 among Lender, Aquashield, Pegasus, and Williamson (the "Forbearance Agreement"); or

(c) Any representation or warranty by Grantor set out herein or in any other instrument or document executed by Grantor in connection herewith shall prove to be false or misleading in any material respect as of the time made.

7. Remedies Upon Default. Upon the occurrence of an Event of Default and so long as the same shall continue

(a) Lender may (i) exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all of the rights and remedies of a secured party on default under the Uniform Commercial Code in effect in the State of Tennessee (the "Code"); and (ii) without limiting the generality of the foregoing and without notice except as specified below, sell, call or draw upon the Collateral or any part thereof in one or more parcels at public or private sale, at any exchange or broker's board or elsewhere, at such price or prices and on such other terms as Lender may deem commercially reasonable, for cash or on credit or for future delivery. Grantor agrees that at least five (5) days' notice to Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Lender shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Lender may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Any cash held by Lender as Collateral and all cash proceeds received by Lender in respect of any sale of, call upon, draw upon, collection from, or other realization upon, all or any part of the Collateral may, in the discretion of Lender, be held by Lender as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to Lender pursuant to Section 8 hereof) in whole or in part by Lender against, all or any part of the Obligations in such order as Lender shall elect. Any surplus of such cash or cash proceeds held by Lender and remaining after payment in full of all of the Obligations shall be paid over Grantor or to whomsoever may be lawfully entitled to receive such surplus.

8. Indemnity and Expenses.

(a) Grantor agrees to indemnify Lender from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses or liabilities resulting from Lender's gross negligence or willful misconduct.

(b) Grantor will upon demand pay to Lender the amount of any and all expenses, including the reasonable fees and disbursements of Lender's counsel and of any experts and agents, which Lender may incur in connection with (i) the preparation and administration of this Agreement; (ii) the custody, preservation, use or operation of, or the sale of, call upon, draw

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upon, collection from, or other realization upon, any Collateral; (iii) the exercise or enforcement of any of the rights of Lender hereunder; or (iv) the failure by Grantor to perform or observe any of the provisions hereof, except expenses resulting from Lender's own gross negligence or willful misconduct.

9. Notices, Etc. All notices and other communications provided for hereunder shall be in writing and shall be mailed, certified mail, return receipt requested, or telecopied or delivered, if to Grantor, to 2733 Kanasita Drive, Suite B, Hixson, Tennessee 37343; if to Lender, to it at First Tennessee Bank, 103 Continental Place, Suite 300, Brentwood, TN 37027, Attention: David W. Ellis or as to either such person at such other address as shall be designated by such person in a written notice to such other person complying as to delivery with the terms of this Section 9. All such notices and other communications shall be effective (i) if mailed, when received or three (3) business days after mailing, whichever is earlier; or (ii) if delivered, upon delivery.

10. Security Interest Absolute. All rights of Lender, all security interests and all obligations of Grantor hereunder shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of the Notes, or any renewal, modification, replacement or extension thereof, or any other agreement or instrument relating to any thereof;

(b) any change in the time, manner or place of payment of, or in any other term in effect of, all or any of the Obligations, or any other amendment or waiver of or consent to any departure from the Notes or any other agreement or instrument relating thereto or to any of the Obligations;

(c) any increase in, addition to, or exchange, release or nonperfection of, any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations;

(d) any other circumstance which might otherwise constitute a defense available to, or a discharge of, Grantor or any other party liable, directly or indirectly, absolutely or contingently, with respect to all or any part of the Obligations; or

(e) the absence of any action on the part of Lender to obtain payment or performance of the Obligations from any person or entity.

11. Miscellaneous.

(a) No amendment or waiver of any provision of this Agreement, and no consent to any departure by Grantor therefrom, shall in any event be effective unless the same shall be in writing and signed by Lender and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) No failure on the part of Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. Lender's rights and remedies provided herein and in any other instrument or document now or hereafter securing all or any part of the Obligations are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law.

(c) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or invalidity without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(d) This Agreement shall be binding on Grantor and its heirs, successors and permitted assigns and shall inure, together with all rights and remedies of Lender hereunder, to the benefit of Lender and its successors, transferees and assigns. Without limiting the generality of the foregoing, Lender may assign or otherwise transfer all or part of its rights to all or any part of the Obligations to any other person or entity, and such other person or entity shall thereupon become vested with all of the benefits in respect thereof granted to Lender herein or otherwise. None of the rights or obligations of Grantor hereunder may be assigned or otherwise transferred without the prior written consent of Lender.

(e) Upon payment and satisfaction in full of the Obligations, this Agreement and the security interest created hereby shall terminate and all rights to the Collateral shall revert to Grantor. Lender will thereupon, at Grantor's request and expense, (i) return or re-assign to Grantor such of the Collateral as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof; and (ii) execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

(f) This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee, except to the extent that the validity or perfection of the security interest created hereby, or remedies hereunder, in respect of any particular Collateral are, under mandatory provisions of law, governed by the laws of a jurisdiction other than the State of Tennessee.

(g) The captions or headings of the Sections of this Agreement are inserted merely for convenience of reference and shall not be deemed to limit or modify the terms and provisions hereof. As used herein, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders, as the context shall require.

(h) Any payment of principal and/or interest on any of the Obligations shall toll any statute of limitations which would otherwise be applicable.

IN WITNESS WHEREOF, Grantor has signed and delivered this Security Agreement on this the day and year first above written.

**AQUASHIELD, INC.**

By: J. Kelly Williamson  
J. Kelly Williamson  
Its: President

GRANTOR

STATE OF TENNESSEE )  
COUNTY OF Hamilton )

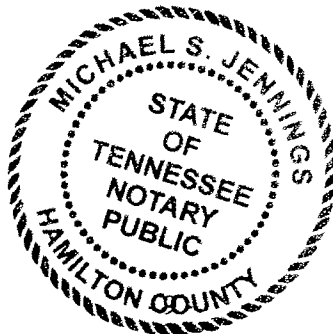
Before me, Michael Jennings, a Notary Public in and for the State and County aforesaid, personally appeared J. Kelly Williamson, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the President of **AQUASHIELD, INC.**, a Tennessee corporation, and that he holding such office, executed the foregoing instrument for the purposes therein contained, by signing the name of the company by himself as such officer.

WITNESS my hand and seal at office, on this the 23<sup>rd</sup> day of April, 2010.

Michael Jennings  
Notary Public

My Commission Expires: 4/6/13

Notary Seal:



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