

PATENT ASSIGNMENT COVER SHEET

Electronic Version v1.1
 Stylesheet Version v1.2

EPAS ID: PAT4551404

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY INTEREST
CONVEYING PARTY DATA	
Name	Execution Date
NEMO ARMS, INC.	07/24/2017
RECEIVING PARTY DATA	
Name:	PEGGY E. HILL CO-TRUSTEE OF THE HILL FAMILY TRUST, DATED JANUARY 16, 1992
Street Address:	1050 ROSECRANS STREET, SUITE M-1
City:	SAN DIEGO
State/Country:	CALIFORNIA
Postal Code:	92101
PROPERTY NUMBERS Total: 4	
Property Type	Number
Patent Number:	9103611
Patent Number:	9322604
Application Number:	15132801
Application Number:	15437821
CORRESPONDENCE DATA	
Fax Number:	
<i>Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent using a fax number, if provided; if that is unsuccessful, it will be sent via US Mail.</i>	
Email:	jenkins@scmv.com
Correspondent Name:	SELTZER CAPLAN MCMAHON VITEK
Address Line 1:	750 B STREET, SUITE 2100
Address Line 4:	SAN DIEGO, CALIFORNIA 92101
ATTORNEY DOCKET NUMBER:	03624.73847
NAME OF SUBMITTER:	E. JENKINS
SIGNATURE:	/EJJ/
DATE SIGNED:	08/15/2017
This document serves as an Oath/Declaration (37 CFR 1.63).	
Total Attachments: 21	
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INTELLECTUAL PROPERTY SECURITY AGREEMENT

This INTELLECTUAL PROPERTY SECURITY AGREEMENT ("Agreement") is made as of July 24, 2017 by NEMO ARMS, INC., a Montana corporation ("Pledgor"), in favor of Peggy E. Hill, Co-Trustee of THE HILL FAMILY TRUST, DATED JANUARY 16, 1992 ("Lender"), with reference to the facts set forth below:

A. Pledgor has obtained a loan ("Loan") from Lender, and in connection therewith has executed and delivered a Convertible Promissory Note dated of even date herewith (the "Note") in favor of Lender. Except as otherwise provided in this Agreement, terms with initial capital letters herein shall have the same meanings as set forth in the Note and that certain Loan Agreement, dated of even date herewith (the "Loan Agreement").

B. As a condition to making the Loan, Lender requires that Pledgor grant a security interest in and to certain property to Lender for purposes of securing all of the obligations to be performed by Pledgor pursuant to the Loan Agreement. Pledgor hereby acknowledges and agrees that it will derive personal benefit by Lender making the loan to Pledgor pursuant to the Loan Documents (defined below).

C. To induce Lender to make the Loan, Pledgor is willing to grant a security interest in and to such property to Lender on the provisions and conditions hereinafter set forth.

NOW, THEREFORE to induce Lender to make the Loan and in consideration for the making of the Loan, Pledgor agrees as set forth below:

1. Definitions: Interpretation.

(a) Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Business" shall mean the current business operations of Pledgor and all future business operations of Pledgor.

"CO" means the United States Copy Right Office and any successors thereto.

"Collateral" has the meaning set forth in Section 2.

"Copyright Collateral" has the meaning set forth in Section 2.

"Copyrights" has the meaning set forth in Section 2.

"Event of Default" has the meaning ascribed thereto in Section 7.

"Existing Interest Holders" means any of the Persons holding the Existing Interests.

“Existing Interests” means any interests in the Collateral or portions thereof existing on the date hereof in favor of any of the Persons as listed on Schedule “B” pursuant to the agreements referred to therein.

“Lender” shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

“Lien” means any pledge, security interest, assignment, charge or encumbrance, lien (statutory or other), or other preferential arrangement (including any agreement to give any security interest).

“Loan Agreement” shall have the meaning ascribed to such term in the introductory paragraph of this Agreement and shall include all modifications, amendments, renewals, replacements and extensions thereof.

“Loan Documents” shall mean the Loan Agreement and all other documents executed by Pledgor or any other party in connection with evidencing or securing the Loan.

“Material Adverse Effect” means a circumstance or event or any set of circumstances or events which has or could reasonably be expected to have any material adverse effect upon: (a) the condition, operations, assets, business or prospects of Pledgor; (b) Pledgor’s ability to pay and perform the Obligations; (c) the value or priority of Lender’s security interest in any Collateral; and/or (d) the practical realization of the benefits of Lender’s rights and remedies under this Agreement and the other Loan Documents.

“Obligations” shall have the meaning ascribed to such term in Section 3 of this Agreement.

“Patent Collateral” has the meaning set forth in Section 2.

“Patents” has the meaning set forth in Section 2.

“Person” means an individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or any other entity.

“Pledgor Documents” means this Agreement together with any collateral assignments of licenses made by Pledgor in favor of Lender, any security agreements for licenses made by Pledgor in favor of Lender, and all other similar documents relating to licenses executed by Pledgor in connection with the Loan Documents.

“Pledgor” shall have the meaning ascribed to such term in the introductory paragraph of this Agreement.

“Proceeds” means whatever is receivable or received from or upon the sale, lease, license, sublicense, franchise, subfranchise, collection, use, exchange or other disposition, whether voluntary or involuntary, of any Collateral, including “proceeds” as defined at UCC Section 9-102 (whether in the form of goods, money, instruments, chattel paper,

documents, accounts, deposit accounts, investment property, insurance, general intangibles, rights to proceeds of written letters of credit or otherwise), all insurance proceeds and all proceeds of proceeds. Proceeds shall also include: (i) any and all accounts, chattel paper, instruments, license fees, franchise fees, management fees, distributorship fees, royalties, required or permissible product purchase payments, general intangibles, cash and other proceeds, payable to or for the account of Pledgor, from time to time in respect of any of the Collateral and/or Pledgor's Business; (ii) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to or for the account of Pledgor from time to time with respect to any of the Collateral; (iii) any and all claims and payments (in any form whatsoever) made or due and payable to Pledgor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Person acting under color of governmental authority; and (iv) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral or for or on account of any damage or injury to or conversion of any Collateral by any Person.

“PTO” means the United States Patent and Trademark Office and any successor thereto.

“Trade Secret Collateral” has the meaning set forth in Section 2.

“Trade Secrets” has the meaning set forth in Section 2.

“Trademark Collateral” has the meaning set forth in Section 2,

“Trademarks” has the meaning set forth in Section 2.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of California.

“United States” and “U.S.” each mean the United States of America.

(b) Terms Defined in UCC. Where applicable and except as otherwise defined herein, terms used in this Agreement shall have the meanings assigned to them in the UCC.

(c) Interpretation. In this Agreement, except to the extent the context otherwise requires: (i) any reference to a Section or a Schedule is a reference to a section hereof, or a schedule hereto, respectively, and to a subsection or a clause is, unless otherwise stated, a reference to a subsection or a clause of the Section or subsection in which the reference appears; (ii) the words “hereof,” “herein,” “hereto,” “hereunder” and the like mean and refer to this Agreement as a whole and not merely to the specific Section, subsection, paragraph or clause in which the respective word appears; (iii) the meaning of defined terms shall be equally applicable to both the singular and plural forms of the terms defined; (iv) the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; (v) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto; (vi) references to statutes or regulations are to be construed as including all statutory and regulatory provisions consolidating, amending or

replacing the statute or regulation referred to; and (vii) any captions and headings are for convenience of reference only and shall not affect the construction of this Agreement.

2. Security Interest. To secure the Obligations (as defined in Section 3 below), Pledgor does hereby irrevocably pledge, assign and grant to Lender a security interest in all of Pledgor's worldwide right, title and interest in and to all of the following property, now adopted, used, registered, unregistered, owned or hereafter acquired or created (collectively, the "Collateral"):

(a) Trademark Collateral. (i) All common law, state, federal and internationally registered trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, product names, slogans, trade styles, trade dress, color marks and designs, logos, domain names, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired in any way relating to the Business or otherwise, together with and including all licenses therefor held by Pledgor, and all registrations and recordings thereof, and all applications filed or to be filed in connection therewith, and all extensions and renewals thereof, including, without limitation any of the foregoing identified on Schedule "A" hereto (as the same may be amended, modified or supplemented from time to time), together with the goodwill of the Business symbolized by or associated with all of the foregoing (collectively, the "Trademarks"); (ii) all modifications, variations, derivative marks and names based upon the Trademarks used in Pledgor's Business now or in the future, and the goodwill of the Business associated with such names and marks or other Trademarks; (iii) all income, royalties and payments now or hereafter due and/or payable under and with respect to the Trademarks, including license fees and royalties under license and other agreements; (iv) all claims, causes of action, damages and recoveries for past, present and future infringements or unauthorized use of any of the Trademarks and all rights arising therefrom and pertaining thereto; (v) all rights corresponding to the Trademarks throughout the world; (vi) all general intangibles (as defined in the UCC) and all intangible intellectual property or other similar property of Pledgor of any kind or nature, whether now owned or hereafter acquired or used, associated with or arising out of any of the Trademarks (including without limitation all license, distributorship and/or franchise agreements and rights under any Existing Interests) not otherwise described herein and all of the goodwill of Pledgor's Business symbolized by the Trademarks or associated therewith; (vii) any jointly held rights in any of the foregoing, whether by contract or otherwise; and (viii) all Proceeds and products of any and all of the foregoing (all of the foregoing, collectively, the "Trademark Collateral").

(b) Trade Secret Collateral. (i) All trade secrets, confidential information, know-how and other intellectual property used in the Business of Pledgor now or in the future and all renewals, modifications, derivatives and improvements relating thereto (collectively, the "Trade Secrets"); (ii) all income, royalties and payments now or hereafter due and/or payable under and with respect to the Trade Secrets, including license fees and royalties under license and other agreements; (iii) all claims, causes of action, damages and recoveries for past, present and future infringements or unauthorized use of any of the Trade Secrets and all rights arising therefrom and pertaining thereto; (iv) all rights corresponding to the Trade Secrets throughout the world; (v) all general intangibles (as defined in the UCC) and all intangible intellectual property or other similar property of Pledgor of any kind or nature, whether now owned or

hereafter acquired or developed, associated with or arising out of the Trade Secrets (including without limitation all license, distributorship and/or franchise agreements and rights under any Existing Interests) and not otherwise described herein; (vi) any jointly held rights in any of the foregoing, whether by contract or otherwise; and (vii) all Proceeds and products of any and all of the foregoing (all of the foregoing, collectively, the “Trade Secret Collateral”).

(c) Copyright Collateral. (i) All published and unpublished works of authorship that Pledgor owns or uses in its Business or will in the future adopt and so use (including all advertising and promotional materials, franchise agreements and franchise operation manuals) all original and derivative works of authorship and works protectable by copyright that are presently or in the future may be, owned, created, authored, acquired or used (pursuant to a license or otherwise) by Pledgor or by its employees, independent contractors, third parties or acquired by Pledgor, all of Pledgor’s proprietary object code, source code, source data files and documentation in any way related to the Business and any modifications and derivative works related thereto, all copyright registrations and applications for copyright registration that previously have been or may hereafter be issued thereon or applied for in the U.S. or anywhere in the world, all registrations resulting from such copyright applications, and all renewals, modifications, extensions, derivative works and collective works thereof or related to any of the foregoing, throughout the world, together with all copyright licenses held by Pledgor, and all common law rights, copyrights, rights of authorship and moral rights related to any of the foregoing, including without limitation, any of the foregoing identified on Schedule “A” hereto (as the same may be amended, modified or supplemented from time to time) (collectively, the “Copyrights”); (ii) all income, royalties and payments now or hereafter due and/or payable under and with respect to the foregoing, including license fees and royalties under license and other agreements; (iii) all claims, causes of action, damages and recoveries for past, present and future infringements or unauthorized use of any of the Copyrights and all rights arising therefrom and pertaining thereto; (iv) all rights corresponding to the Copyrights throughout the world; (v) all general intangibles (as defined in the UCC) and all intangible intellectual property or other similar property of Pledgor of any kind or nature, whether now owned or hereafter acquired or developed, associated with or arising out of any of the Copyrights (including without limitation all license, distributorship and/or franchise agreements and rights under any Existing Interests) and not otherwise described herein; (vi) any jointly held rights in any of the foregoing, whether by contract or otherwise; and (vii) all Proceeds and products of any and all of the foregoing (all of the foregoing, collectively, the “Copyright Collateral”).

(d) Patent Collateral. (i) All patents and patent applications (including, without limitation, the inventions, devices, specifications and improvements described and claims therein) filed in the U.S. or in any other country, owned, held or used by Pledgor in whole or in part, and all patent and invention disclosures related thereto, together with all reissuances, divisions, continuations, continuations-in-part, renewals, extensions, re-examinations, supplementary protection certificates, modifications, derivatives and improvements thereof and the inventions disclosed therein, and all new or separate patents that may be issued in connection with the foregoing, and all other inventions (whether patentable or unpatentable, whether or not reduced to practice or developed alone or jointly with others), and together with and including all patent licenses held by Pledgor, and all other rights, including the right to make, use, license, sell, exploit and otherwise transfer the inventions disclosed therein, including without limitation, any of the foregoing identified on Schedule “A” hereto (as the same may be amended, modified

or supplemented from time to time) (collectively the “Patents”); (ii) all income, royalties and payments now or hereafter due and/or payable under and with respect to the Patents, including license fees and royalties under license and other agreements; (iii) all claims, causes of action, damages and recoveries for past, present and future infringements thereof or unauthorized use of any of the Patents and all rights arising therefrom and pertaining thereto; (iv) all rights corresponding to the Patents throughout the world; (v) all general intangibles (as defined in the UCC) and all intangible intellectual property or other similar property of Pledgor of any kind or nature, whether now owned or hereafter acquired or developed, associated with or arising out of any of the Patents (including without limitation all license, distributorship and/or franchise agreements and rights under any Existing Interests) and not otherwise described herein; (vi) any jointly held rights in any of the foregoing, whether by contract or otherwise; and (vii) all products and Proceeds of any and all of the foregoing (all of the foregoing, collectively, the “Patent Collateral”).

3. Obligations Secured. This Agreement and the security interest granted by this Agreement secure (in such order of priority as Lender may determine, in its sole discretion) the payment, performance, observance and satisfaction by Pledgor of all of its obligations under all of the following and all modifications, amendments, renewals, replacements and extensions of each of them (collectively, the “Obligations”): (a) the Loan Documents; (b) all obligations of Pledgor under the Pledgor Documents; (c) all other indebtedness and obligations of Pledgor to Lender whether currently existing or hereafter arising; (d) all amounts that Lender may advance or spend for the maintenance or preservation of the Collateral, and any other expenditures that Lender may make pursuant to the provisions of this Agreement or for the benefit of Pledgor; and (e) any of the foregoing that arises after the filing of a petition by or against Pledgor pursuant to the United States Bankruptcy Code, even if the Obligations do not accrue because of the automatic stay under Bankruptcy Code Section 362 or otherwise.

4. Further Assurances; Appointment of Lender As Attorney-In-Fact. Pledgor, at its expense, shall execute and deliver, or cause to be executed and delivered, to Lender any and all documents and instruments, in form and substance reasonably satisfactory to Lender, and take any and all action, which Lender may reasonably request from time to time, in order to evidence, protect, maintain, perfect or continue the security interest of Lender in the Collateral, to effectuate or enforce the rights granted to Lender hereunder, or to otherwise carry out the purposes and intent of this Agreement. Without limiting the foregoing, Pledgor authorizes Lender to file financing statements and such other instruments as may be necessary or desirable to perfect security interests created hereby in all states, counties and other jurisdictions as Lender may elect, without Pledgor’s signature if permitted by law, describing the Collateral. Pledgor hereby irrevocably appoints Lender as its true and lawful attorney-in-fact with full power of substitution in the place and stead of Pledgor and in the name of Pledgor, Lender or otherwise, from time to time in Lender’s discretion to do the following: (a) to sign or endorse the name of Pledgor on all or any of such documents or instruments and perform all other acts that Lender reasonably deems necessary or advisable in order to perfect or continue perfection, maintain the priority or enforceability of or provide notice of Lender’s security interest in the Collateral; (b) to execute any and all other applications, documents and instruments and to perform any and all acts and things for and on behalf of Pledgor, which Lender may reasonably deem necessary or advisable to maintain, preserve and protect the Collateral and to accomplish the purposes of this Agreement, including (i) to defend, settle, adjust or institute any action, suit or proceeding with

respect to the Collateral, (ii) to assert or retain any rights under any license, distribution or franchise agreement for or with respect to any of the Collateral and (iii) to execute any and all applications, documents, papers and instruments for Lender to use the Collateral, to grant or issue any exclusive or non-exclusive license with respect to any Collateral, and to assign, convey or otherwise transfer title in or dispose of the Collateral; and (c) to take any other actions with respect to the Collateral, consistent with the terms of this Agreement, as Lender deems reasonably necessary or in the best interest of Lender. The power of attorney set forth in this Section 4 is coupled with an interest and is irrevocable so long as this Agreement shall be in effect. Pledgor hereby ratifies all that Lender shall lawfully do or cause to be done by virtue hereof.

5. Covenants. Pledgor covenants and agrees that, to the best of its ability, as long as this Agreement shall be in effect:

(a) Pledgor shall use commercially reasonable efforts to (i) actively police and defend the Collateral, file and prosecute lawsuits, interference, opposition and cancellation proceedings, and take such other actions as necessary to protect the strength of and rights in the Collateral, (ii) protect, defend and maintain the validity and enforceability of the Collateral, (iii) ascertain or discover any infringements or violations of the Collateral and promptly advise Lender in writing of any infringements or violations detected, and (iv) not allow any Collateral to be abandoned, forfeited or dedicated to the public without the consent of Lender which shall not be unreasonably withheld; provided, however, Pledgor may abandon and/or forfeit any application, filing and/or registration in any foreign (non-United States) jurisdiction but only after Pledgor has reasonably determined that such abandonment and/or forfeiture will not result in a Material Adverse Effect. Lender shall have the right, but not the obligation, to take, at Pledgor's sole expense, in its own name or in Pledgor's name or in the names of the parties jointly any actions that Pledgor is required to take under this section or other provisions of this Agreement, but which Pledgor fails to take. Pledgor shall prosecute any infringement or violation of the Collateral to protect the Collateral as required by this Agreement, giving due consideration to value, importance, cost and opinion of counsel as to such action. If Pledgor decides not to prosecute an infringement or violation of the Collateral, Pledgor shall promptly notify Lender in writing explaining the facts and reasons why Pledgor has decided not to pursue such infringement or violation. If Lender reasonably determines that such infringement or violation must be prosecuted in order to protect Lender's interest in the Collateral, Lender shall so notify Pledgor in writing and Pledgor shall thereafter promptly prosecute such infringement or violation at Pledgor's expense;

(b) Pledgor shall promptly, upon its becoming aware thereof, notify Lender in writing of the existence or receipt of (i) any claim, dispute, lawsuit, arbitration, opposition, cancellation or interference proceeding, or other proceeding that in any way involves or relates to any of the Collateral, (ii) any adverse determination in or with respect to any of the pending or future applications for registration or registrations of any of the Collateral, and/or (iii) any adverse determination in or with respect to any lawsuits or other proceedings regarding the Collateral or regarding Pledgor's claim of ownership in or right to use any of the Collateral; Pledgor shall promptly provide to Lender any information with respect thereto required from time to time by Lender;

(c) Pledgor shall renew, preserve and maintain all Patents, Trademarks, Copyrights, Trade Secrets and other Collateral in a reasonable and timely manner, including without limitation filing all required affidavits and other documents and paying all necessary maintenance and other fees; provided, however, Pledgor may forego renewal, preservation and/or maintenance of any of the foregoing in any foreign (non-United States) jurisdiction but only after Pledgor has reasonably determined that such abandonment and/or forfeiture will not result in a Material Adverse Effect.

(d) Pledgor shall not sell, pledge, encumber, lien, hypothecate, assign, license, franchise, distribute or otherwise dispose of any rights in any of the Patents, Trademarks, Copyrights, Trade Secrets or other Collateral to any third party, in the U.S. or internationally, without the express, written consent of Lender, which consent shall not be unreasonably withheld by Lender;

(e) Lender shall have no obligation or responsibility to preserve, protect or defend the Collateral and Pledgor shall at its own expense protect, defend and maintain the same as required by this Agreement or specifically by Lender from time to time in its sole discretion;

(f) Pledgor shall use commercially reasonable efforts to prosecute diligently any Patent, Copyright, Trademark or other intellectual property application pending as of the date hereof or hereafter. Pledgor shall notify Lender in writing of any such applications filed and/or registrations received for any of the Patents, Trademarks, Copyrights or other Collateral, and the parties shall amend this Agreement, any assignments, UCC-1 Financing Statements, Memorandum of Security Agreement or other document to reflect such applications and registrations. Pledgor shall diligently file and prosecute applications for registration for all major variations and improvements to the Trademarks, Copyrights and Patents, including derivative and collective marks and works upon their adoption and use;

(g) Pledgor shall employ notices and proprietary markings in compliance with applicable legal requirements or as permitted to maximize the protection and enforcement of the Collateral;

(h) If Pledgor fails to comply with any of its covenants or agreements herein, Lender may do so in Pledgor's name or in Lender's name, at Pledgor's expense, and Pledgor shall reimburse Lender for all expenses, including reasonable attorney's fees and costs, incurred by Lender in protecting, defending and maintaining the Collateral;

(i) Pledgor shall not enter into any agreement (for example, a license agreement, distribution agreement, joint development agreement, franchise agreement or work for hire agreement) that would allow actual or potential Collateral to become all or partly owned by any other Person, or that is inconsistent with Pledgor's obligations under this Agreement, without Lender's prior written consent;

(j) Pledgor shall not take any action, or permit any action to be taken by others subject to its control, including licensees, joint venture partners, franchisees, vendors, or joint developers, or fail to take any action, if doing so or not doing so would impair the title to, or validity or enforceability of the Collateral and/or of Lender's interest in the Collateral;

(k) Pledgor shall permit Lender, at any reasonable time, upon reasonable frequency, and upon reasonable prior written notice, to inspect Pledgor's premises and to examine Pledgor's books, records, operations, and use and protection of the Patents, Trademarks, Copyrights, Trade Secrets and other Collateral, and permit Lender to make and retain copies of any of the Collateral and of such books and records in order to protect its interest in the Collateral;

(l) Pledgor shall, promptly after executing this Agreement, to the extent not previously provided to Lender, provide to Lender a copy of the written agreements between Pledgor and the Existing Interest Holders;

(m) Pledgor shall pay when due all taxes and assessments against the Collateral and all claims and demands arising from Pledgor's ownership or use of the Collateral, and will not cause or permit any Lien to be imposed on or to exist against the Collateral;

(n) Pledgor shall make no change to its organization status or existence, state of incorporation, corporate identification number, or name, nor merge into or consolidate with any other Person, in each case without providing Lender at least thirty (30) days' prior written notice; and

(o) Pledgor shall, with respect to Collateral consisting of rights in or under agreements, contracts, accounts, instruments, leases, permits, licenses, franchises, and the like, now existing or hereafter acquired or entered into, including any license agreements made by Pledgor (collectively, "Third Party Agreements") do the following:

(i) except with respect to Third Party Agreements of inconsequential value, the breach or loss of which could have no Material Adverse Effect on Pledgor, the Business or any of the remaining Collateral, Pledgor will, at its sole cost and expense (a) perform and satisfy every obligation and condition of the Third Party Agreements to be performed or satisfied by Pledgor; (b) give prompt notice to Lender of any notice of default given or received by Pledgor under any Third Party Agreements, together with a copy of any such notice of default; (c) enforce, short of termination, the performance and satisfaction of every obligation and condition of the Third Party Agreements to be performed or satisfied by the other parties to the Third Party Agreements; and (d) appear in and defend any action arising from or relating to the Third Party Agreements or the obligations of any party under any Third Party Agreement;

(ii) except with respect to Third Party Agreements of inconsequential value, the breach or loss of which could have no Material Adverse Effect on Pledgor, the Business or any of the remaining Collateral, Pledgor will not, without Lender's prior written consent, take any action to (a) terminate or amend any Third Party Agreements; (b) waive or release the parties to any Third Party Agreements from any obligation or condition to be performed or satisfied by such parties; (c) assign, transfer, pledge or otherwise encumber any of its rights in any Third Party Agreements, absolutely or for security; or (d) revoke or countermand, or attempt or purport to revoke or countermand, the irrevocable authorizations and instructions set forth in Subsection (iii) below. Any such purported action by Pledgor without Lender's prior written consent will be void and will constitute a default under this Agreement;

(iii) Pledgor hereby irrevocably authorizes and instructs every present and future party under every Third Party Agreement, after the occurrence of an Uncured Event of Default and upon demand by Lender, to pay and perform all of such party's obligations directly and only to Lender, to recognize and accept Lender as the holder of all of Pledgor's rights and benefits under the Third Party Agreement for all purposes, and to accept any payment or performance by Lender of Pledgor's obligations under the Third Party Agreement that Lender may elect to tender. No such party shall have any duty to investigate the validity or accuracy of any such demand by Lender. Each such party shall be relieved of any liability to Pledgor for payment or performance under a Third Party Agreement to the extent that such party has paid or performed to Lender, pursuant to demand of Lender, even if it is later determined that Lender's demand for payment or performance was invalid. Lender shall have the right at any time to enforce Pledgor's rights against every present and future party under every Third Party Agreement (including without limitation the account debtors and obligors); and

(iv) Lender is not obligated to perform any obligations of Pledgor under any Third Party Agreement unless Lender so elects, and Pledgor shall remain liable under every Third Party Agreement to the same extent as if this Agreement had not been executed. The exercise by Lender of any rights and remedies under this Agreement shall not release Pledgor from any of its duties or obligations under any Third Party Agreement.

6. Representations and Warranties. Pledgor represents, warrants and covenants, to the best of its knowledge, that now and in the future during the pendency of this Agreement and until the Obligations are satisfied in full as follows:

(a) Schedule "A" sets forth a true, correct and complete list of all of the existing Trademarks, Copyrights and Patents that are registered or for which any application for registration has been filed with the PTO, the CO, or any corresponding or similar office of any other jurisdiction and that are owned and used by Pledgor, in whole or in part;

(b) Schedule "B" which sets forth the Existing Interests and Existing Interest Holders, sets forth a true, correct and complete list of all Existing Interest Holders to whom Pledgor has pledged, licensed, franchised or distributed any of the Collateral and all of the agreements giving rise to the Existing Interests;

(c) The Collateral and all portions thereof is subsisting, has not been adjudged invalid or unenforceable in whole or in part, is not currently being challenged in any way, and there are no pending or threatened claims, litigation, proceedings or other investigations regarding any of the Collateral. Except as otherwise disclosed to Lender in writing prior to the date of this Agreement, none of the Collateral has lapsed or expired or been abandoned or allowed to fall into the public domain;

(d) All maintenance, renewal and other fees required to be paid on account of any Collateral have been timely paid for maintaining such Collateral in force, and all affidavits of use required to be filed with respect to any Trademarks have been timely filed to maintain such Trademarks in force;

(e) Pledgor owns the entire worldwide right, title and interest in and to the Collateral and each portion thereof free and clear of any Liens and rights of others, except for the Liens and rights granted by Pledgor pursuant to this Agreement and the Existing Interests of the Existing Interest Holders (provided Lender's security interest in the Collateral is second in priority only to the Existing Interests); and each such license, franchise or distribution agreement giving rise to the Existing Interests is in full force and effect, and other than parties to such license, franchise or distribution agreements, to Pledgor's knowledge, no other Person has any rights to or in any of the Collateral;

(f) Pledgor has the unqualified right, power and authority to pledge and grant to Lender a second priority security interest in all of the Collateral, and execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person except as already obtained; this Agreement has been fully authorized, executed and delivered, and constitutes a legal, valid and binding agreement of Pledgor enforceable in accordance with its terms; and the execution, delivery and performance by Pledgor of this Agreement do not violate any provision of law or the articles of incorporation or bylaws of Pledgor or result in a breach of or constitute a default under any contract, obligation, indenture or other instrument to which Pledgor is a party or by which Pledgor may be bound;

(g) Pledgor has continually used in commerce all Trademarks once use of such has commenced;

(h) Pledgor has in place a commercially reasonable system to protect its Trade Secrets. Pledgor has taken and will continue to take all commercially reasonable steps to protect the confidentiality of all Trade Secrets;

(i) Neither Pledgor nor any of the Existing Interest Holders are in breach or default of any of the Third Party Agreements and no event has occurred which with notice or lapse of time would constitute a breach or default, or permit the termination or modification of any of the Third Party Agreements;

(j) Pledgor has not transferred, pledged or otherwise encumbered any of its rights or interests in or under any of the Third Party Agreements;

(k) Pledgor, the Collateral, and products sold or services rendered by Pledgor, and/or any processes used by Pledgor in its Business do not infringe or violate any third party's intellectual property rights, and no claim has been made that the use of any of the Collateral or any products or services incorporating any of the Collateral constitutes an infringement or violation of any third party's intellectual property rights. Pledgor has not engaged in any conduct that would constitute unfair competition, unfair trade practices, defamation or otherwise would conflict with another Person's intellectual property rights or other rights. To Pledgor's knowledge, no third parties are infringing upon or violating any of the rights in any of the Collateral;

(l) Schedule "A" sets forth a true, accurate and complete list of all material technologies and proprietary rights of Pledgor that are necessary to operate Pledgor's Business;

(m) Pledgor has not agreed with any other Person not to sue or otherwise enforce any legal or equitable rights regarding the Collateral; and

(n) Pledgor shall undertake all reasonable measures to cause its employees, agents and independent contractors to assign to Pledgor all rights in and to any Collateral in which Pledgor has or may subsequently acquire any right or interest.

7. Event of Default. It shall be an “Event of Default” hereunder if Pledgor shall fail to perform or comply with any of the provisions of this Agreement, or if any representation or warranty made herein shall be false or misleading in any material respect, or if an “Event of Default” shall exist under and as defined in any one or more of the Loan Documents. Pledgor expressly acknowledges and agrees that this Section 7 is intended to and does hereby cross-default this Agreement with the Pledgor’s obligations under the Loan Documents, such that the occurrence of any Event of Default under any one or more of the Loan Documents shall constitute an immediate Event of Default hereunder. Lender shall provide Pledgor a written notice of an Event of Default. Notwithstanding anything to the contrary in this paragraph, it shall not be an “Event of Default” if Pledgor shall rectify the default to the satisfaction of Lender within five (5) days after receipt of such notice for an Event of Default that involves a monetary Event of Default and within ten (10) days after receipt of such notice for any other (non-monetary) Event of Default; provided, however, the foregoing shall not be construed to create an additional cure period for an Event of Default in addition to the cure rights set forth in the other Loan Documents.

8. Remedies. From and after the occurrence of an Event of Default, for so long as such Event of Default remains uncured, Lender shall have all rights and remedies available to it under this Agreement, under the Loan Documents and under applicable law (which rights and remedies are cumulative). Pledgor agrees that such rights and remedies include the right of Lender as a secured party to sell or otherwise dispose of the Collateral after default, pursuant to the UCC. Pledgor agrees that, in addition to its other rights, Lender shall at all times have such worldwide, royalty-free, exclusive, transferable, licenses (including the right to sublicense) for any Collateral that is reasonably necessary to permit the exercise of any of Lender’s rights or remedies hereunder, including upon or after the occurrence of an Event of Default with respect to any assets of Pledgor in which Lender has a security interest, including Lender’s rights to sell inventory, tooling, equipment or packaging which is owned or acquired by Pledgor (or its successor, assignee or trustee in bankruptcy). In addition to and without limiting any of the foregoing, upon the occurrence of an Event of Default, Lender shall have the right, but not the obligation, to bring suit or to take such other action as Lender deems necessary or advisable, in the name of Pledgor or Lender, to enforce its rights under this Agreement or to enforce or protect any of the Collateral, in which event Pledgor shall, at the request of Lender, do any and all lawful acts and execute any and all documents required by Lender in aid of such enforcement. Pledgor acknowledges and agrees that Lender may execute and acknowledge any and all such documents pursuant to the power of attorney granted to Lender hereunder but shall have no fiduciary duties to Pledgor thereunder to the maximum extent permitted by applicable law.

9. Indemnity. Pledgor shall indemnify, defend and hold Lender and its trustees, officers, directors, employees, agents, and affiliates (collectively, the “Indemnitees” and individually an “Indemnitee”) harmless from and against any and all other liabilities, obligations,

losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatever (including, without limitation, the reasonable fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnitees are designated parties thereto) that may be imposed on, incurred by, or asserted against the Indemnitees, in any manner relating to or arising out of the Agreement or out of any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto, including amounts paid in settlement, court costs, and the fees and expenses of counsel (collectively, the "Indemnified Liabilities"); provided, however, that Pledgor shall have no obligation to an Indemnitee hereunder with respect to Indemnified Liabilities arising from the gross negligence or willful misconduct of that Indemnitee.

10. Miscellaneous.

(a) Termination. The security interest in the Collateral granted hereunder shall remain in full force and effect until the Obligations are satisfied in full and the Loan Documents and any commitment to extend any financial accommodation thereunder have been terminated. At such time, Lender shall, within five (5) days, execute and deliver to Pledgor, or to a third party upon Pledgor's instructions, for filing with the appropriate government entity in the U.S. or elsewhere and in each office in which any financing statement pertaining to the security interest granted hereby may have been filed: (i) documentation in accordance with the rules and regulations of such office, (ii) termination statements under the UCC, and (iii) any other documentation reasonably requested by Pledgor, all as may be necessary to release Lender's interest in the Collateral.

(b) Governing Law; Venue; Jury Waiver. If there is a lawsuit or other proceeding, Pledgor agrees upon Lender's request to submit to the jurisdiction of the courts of San Diego County, California. To the extent permitted under applicable laws, Lender and Pledgor hereby waive the right to any jury trial in any action, proceeding or counterclaim brought by Lender or Pledgor against the other, and each waive any right to object to or contest the venue or jurisdiction selected by Lender. This Agreement will be governed by, construed and enforced in accordance with federal law and the laws of the State of California.

(c) Entire Agreement. This Agreement and that certain Security Agreement (Blanket) dated as of the date hereof, constitute the entire agreement between the parties regarding the subject matter hereof, and supersede all prior or contemporaneous understandings or agreements, whether oral or written regarding the subject matter hereof. No alteration or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

(d) Notice. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be given personally, sent by facsimile transmission, electronic mail, prepaid air courier or certified, registered or express mail, postage prepaid. Any such notice shall be deemed to have been given or made for all purposes: (a) in any event, upon actual receipt by the recipient; (b) upon confirmation receipt (or oral confirmation) that the communication was successfully sent to the recipient if sent by facsimile or other electronic communication; (c) one day after being sent, when sent by

professional overnight courier service; or (d) three (3) business days after posting when sent by registered or certified mail. All notices, communications and/or payments should be addressed to the party for whom intended, as follows:

To Lender: THE HILL FAMILY TRUST,
DATED JANUARY 16, 1992
1050 Rosecrans Street, Suite M-1
San Diego, California 92106
Attn: Peggy E. Hill, Co-Trustee
Facsimile: (619) 226-1317

To Pledgor: NEMO ARMS, INC.
2820 Brandt Avenue
Nampa, Idaho 83687
Attn: Kirk Leopold
Facsimile: (208) 442-7121

(e) Costs and Expenses. Pledgor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the execution, enforcement and collection of this Agreement. Lender may hire or pay someone else to help collect the Obligations and to enforce this Agreement, and Pledgor shall pay the costs and expenses of such collection and enforcement. Costs and expenses include Lender's attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Pledgor also shall pay all court costs and such additional fees as may be directed by the court.

(f) Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or enforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

(g) Successors and Assigns. All covenants and agreements contained by or on behalf of Pledgor shall bind Pledgor's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Pledgor shall not, however, have the right to assign Pledgor's rights under this Agreement or any interest therein, without the prior written consent of Lender.

(h) Survival. Pledgor understands and agrees that in making the Loan and other financial accommodations set forth in the Loan Documents, Lender is relying on all representations, warranties, and covenants made by Pledgor in this Agreement or in any certificate or other instrument delivered by Pledgor to Lender under this Agreement. Pledgor

further agrees that regardless of any investigation made by Lender, all such representations, warranties and covenants will survive the making of the Loan and other financial accommodations set forth in the Loan Documents, shall be continuing in nature, and shall remain in full force and effect until such time as all Obligations shall be paid and satisfied in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

(i) Time is of the Essence. Time is of the essence in the performance of this Agreement.

(j) Waiver. Lender shall not be deemed to have waived any right under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender nor any course of dealing between Lender and Pledgor shall constitute a waiver of any of Lender's rights or Pledgor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent in subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

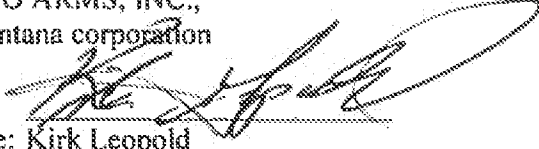
(k) Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto and separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

* * * * *

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

PLEDGOR:

NEMO ARMS, INC.,
a Montana corporation

By: 
Name: Kirk Leopold
Its: CEO/President

NOTARY

A notary public or other officer completing this certificate verifies only the identity of the individuals who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

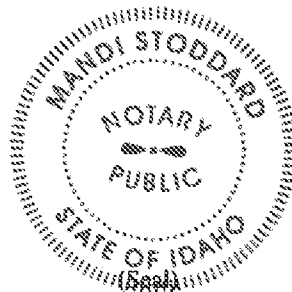
STATE OF Idaho
COUNTY OF Ada

On July, 25, before me, Mandi Stoddard, Notary Public, personally appeared Kirk Leopold, who proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the state of Idaho that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.





Mandi Stoddard
Signature of Notary Public






SCHEDULE "A"

**Registered Patents, Patent Applications, Trademarks and Trademark Applications,
Copyrights and Copyright Applications**

SCHEDULE A		
DOCKET #	TITLE	SERIAL / REG #(S)
U.S. PATENTS (REGISTERED):		
3940.001	Compressible Bolt Carrier Extension System	Patent: 9,103,611 Issued: August 11, 2015 Application No.: 13/569,942 Filed: August 8, 2012 1st maintenance fee due 02/11/2019 Expires 05/15/2033
3940.001A	Bolt Carrier System	Patent: 9,322,604 Issued: April 26, 2016 Application No.: 14/794,987 Filed: July 9, 2015 1st maintenance fee due 10/26/2019 Expires 08/08/2032
U.S. PATENTS (PENDING ACTION):		
3940.001B	Bolt Carrier System	Application No.: 15/132,801 Filed: April 19, 2016 Published; awaiting examination
3940.009	Suppressor Assembly	Application No.: 15/437,821 Filed: February 21, 2017 Awaiting publication/ examination
U.S. PATENTS (EXPIRED):		
U.S. PATENTS (ABANDONED):		
INTERNATIONAL PATENTS:		
U.S. TRADEMARKS (REGISTERED):		

SCHEDULE A		
DOCKET #	TITLE	SERIAL / REG #(S)
	 <p>N E M O NEW EVOLUTION MILITARY ORDNANCE</p>	Registration No.: 4,808,535 Registered: September 8, 2015 Serial: 86/539,438 Filed: February 19, 2015 Section 8/15 Declaration of Use due between 9/8/2020 and 9/8/2021
	 <p>N E M O</p>	Registration No.: 4,808,333 Registered: September 8, 2015 Serial: 86/526,195 Filed: February 5, 2015 Section 8/15 Declaration of Use due between 9/8/2020 and 9/8/2021
	NEMO	Registration No.: 4,808,332 Registered: September 8, 2015 Serial: 86/526,159 Filed: February 5, 2015 Section 8/15 Declaration of Use due between 9/8/2020 and 9/8/2021
	NEW EVOLUTION MILITARY ORDNANCE	Registration No.: 4,670,396 Registered: January 13, 2015 Serial: 86/268,802 Filed: May 1, 2014 Section 8/15 Declaration of Use due between 1/13/2020 and 1/13/2021
	 <p>OVIEN</p>	Registration No.: 4,356,586 Registered: June 25, 2013 Serial: 85/615,624 Filed: May 3, 2012 Section 8/15 Declaration of Use due between 6/25/2018 and 6/25/2019
U.S. TRADEMARKS (PENDING ACTION):		
		Serial: 87/268,746 Filed: December 14, 2016 Notice of Allowance issued 6/27/2017; Statement of Use or 1 st Request for Extension of Time due 12/27/2017

SCHEDULE A		
DOCKET #	TITLE	SERIAL / REG #(S)
		Serial No: 87/265,869 Filed: December 12, 2016 Notice of Allowance issued 6/27/2017; Statement of Use or 1 st Request for Extension of Time due 12/27/2017
		Serial No: 86/852,113 Filed: December 17, 2015 Statement of Use accepted 6/20/2017; mark will issued
U.S. TRADEMARKS (ABANDONED):		
		Serial No: 85/542,767 Filed: February 14, 2012 Abandoned because the applicant failed to respond or filed a late response to an Office action.

SCHEDULE "B"

List of Existing Interest Holders, Existing Interests and Third Party Agreements

Freedom Bank