

## TRADEMARK ASSIGNMENT COVER SHEET

Electronic Version v1.1  
Stylesheet Version v1.2

ETAS ID: TM345876

<b>SUBMISSION TYPE:</b>	NEW ASSIGNMENT		
<b>NATURE OF CONVEYANCE:</b>	SECURITY INTEREST		
<b>CONVEYING PARTY DATA</b>			
<b>Name</b>	<b>Formerly</b>	<b>Execution Date</b>	<b>Entity Type</b>
APPLIED MEMBRANES, INC.		06/25/2015	CORPORATION: CALIFORNIA
<b>RECEIVING PARTY DATA</b>			
<b>Name:</b>	PACIFIC WESTERN BANK		
<b>Street Address:</b>	401 West A St.		
<b>Internal Address:</b>	San Diego - Corporate Banking		
<b>City:</b>	San Diego		
<b>State/Country:</b>	CALIFORNIA		
<b>Postal Code:</b>	92101		
<b>Entity Type:</b>	CORPORATION: CALIFORNIA		
<b>PROPERTY NUMBERS Total: 7</b>			
<b>Property Type</b>	<b>Number</b>	<b>Word Mark</b>	
<b>Registration Number:</b>	2071571	APPLIED MEMBRANES INC.	
<b>Registration Number:</b>	2071572	APPLIED MEMBRANES INC.	
<b>Registration Number:</b>	2102884	APPLIED	
<b>Registration Number:</b>	2071573	AMI	
<b>Registration Number:</b>	2852686	WATERANYWHERE	
<b>Registration Number:</b>	2855604	WATERANYWHERE	
<b>Registration Number:</b>	2852690	WATERANYWHERE.COM	
<b>CORRESPONDENCE DATA</b>			
<b>Fax Number:</b>	6192381981		
<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>			
<b>Phone:</b>	6192381010		
<b>Email:</b>	nwilhelm@mulvaneybarry.com		
<b>Correspondent Name:</b>	Natalie Wilhelm		
<b>Address Line 1:</b>	401 West A St., 17th Fl.		
<b>Address Line 4:</b>	San Diego, CALIFORNIA 92101		
<b>ATTORNEY DOCKET NUMBER:</b>	PWB-213		
<b>NAME OF SUBMITTER:</b>	Natalie D. Wilhelm		

OP \$190.00 2071571

<b>SIGNATURE:</b>	/Natalie D. Wilhelm/
<b>DATE SIGNED:</b>	06/25/2015
<b>Total Attachments: 24</b> source=NOT. SECURITY INTEREST_001#page1.tif source=NOT. SECURITY INTEREST_001#page2.tif source=NOT. SECURITY INTEREST_001#page3.tif source=NOT. SECURITY INTEREST_001#page4.tif source=NOT. SECURITY INTEREST_001#page5.tif source=NOT. SECURITY INTEREST_001#page6.tif source=NOT. SECURITY INTEREST_001#page7.tif source=NOT. SECURITY INTEREST_001#page8.tif source=NOT. SECURITY INTEREST_001#page9.tif source=NOT. SECURITY INTEREST_001#page10.tif source=NOT. SECURITY INTEREST_001#page11.tif source=NOT. SECURITY INTEREST_001#page12.tif source=NOT. SECURITY INTEREST_001#page13.tif source=NOT. SECURITY INTEREST_001#page14.tif source=NOT. SECURITY INTEREST_001#page15.tif source=NOT. SECURITY INTEREST_001#page16.tif source=NOT. SECURITY INTEREST_001#page17.tif source=NOT. SECURITY INTEREST_001#page18.tif source=NOT. SECURITY INTEREST_001#page19.tif source=NOT. SECURITY INTEREST_001#page20.tif source=NOT. SECURITY INTEREST_001#page21.tif source=NOT. SECURITY INTEREST_001#page22.tif source=NOT. SECURITY INTEREST_001#page23.tif source=NOT. SECURITY INTEREST_001#page24.tif	

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Recording Requested by and  
When Recorded, Return to:

Pacific Western Bank  
San Diego – Corporate Banking  
401 West A Street  
San Diego, CA 92101

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**NOTICE OF SECURITY INTEREST  
IN INTELLECTUAL PROPERTY**

NOTICE IS HEREBY GIVEN that, APPLIED MEMBRANES, INC., a California corporation ("Grantor"), has, by virtue of an Agreement Regarding Security Interest in Intellectual Property and Commercial Security Agreement, true and correct copies of which are attached hereto as Exhibit "1" and Exhibit "2", respectively, and incorporated herein by reference, granted PACIFIC WESTERN BANK ("Lender"), as security for payment of certain obligations described therein to Lender, a security interest in, inter alia, the Grantor's general intangibles, including the collateral described hereinbelow.

1. All inventory, chattel paper, accounts, contract rights, equipment, general intangibles, and fixtures, whether presently held or acquired in the future;

2. All software, firmware, object codes, source codes, and/or commented source codes with linking and compiling controls;

3. All trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired, or held;

4. All design rights which may be available to Grantor now or hereafter existing, created, acquired, or [with]held;

5. All copyright rights, registered or unregistered, and all derivative works, copyright applications, and like protections in each work or authorship and derivative work thereof, whether published or unpublished, and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired, or held.

6. All patents, patent applications, and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions, and continuations in part of the same.

7. Any trademark and service mark rights, whether registered or not, applications to register, and registrations of same and like protections, and the entire good will of the business of Grantor connected with and symbolized by such trademarks and service marks, including, without limitation, those set forth below:

- a) "APPLIED MEMBRANES INC."; US Serial Number: 75-103,815; US Registration Number: 2,071,571; Owner: APPLIED MEMBRANES INC.; Filing Date: May 14, 1996;
- b) "APPLIED MEMBRANES INC."; US Serial Number: 75-103,816; US Registration Number: 2,071,572; Owner: APPLIED MEMBRANES INC.; Filing Date: May 14, 1996.

- c) "APPLIED"; US Serial Number: 75-103,851; US Registration Number: 2,102,884; Owner: APPLIED MEMBRANES INC.; Filing Date: May 14, 1996.
- d) "AMI"; US Serial Number: 75-103,817; US Registration Number: 2,071,573; Owner: APPLIED MEMBRANES INC.; Filing Date: May 14, 1996.
- e) "WATERANYWHERE"; US Serial Number: 76-471,412; US Registration Number: 2,852,686; Owner: APPLIED MEMBRANES INC.; Filing Date: November 18, 2002.
- f) "WATERANYWHERE"; US Serial Number: 76-471,544; US Registration Number: 2,855,604; Owner: APPLIED MEMBRANES INC.; Filing Date: November 18, 2002.
- g) "WATERANYWHERE.COM"; US Serial Number: 76-472,019; US Registration Number: 2,852,690; Owner: APPLIED MEMBRANES INC.; Filing Date: November 18, 2002.

8. Any and all claims for damages by way of past, present, and future infringement of any rights included above with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above.

9. All licenses or other rights to use any of the copyrights, patents, or trademarks, and all license fees and royalties arising from such use to the extent permitted by such license or right.

10. All amendments, renewals, extensions of any of the copyrights, trademarks, or patents.

11. All proceeds and products of the foregoing, including without limitation, all payments under insurance or any indemnity or warranty payable in respect to any of the foregoing, and all general contract rights, intangibles and account proceeds, all goods, inventory, books and records, and accounts receivable from any source.

Dated: June 25, 2015

**LENDER:**

PACIFIC WESTERN BANK

By: *Richard Nance*  
Name: RICHARD NANCE  
Title: Executive Vice President

Pacific Western Bank  
San Diego – Corporate Banking  
401 West A Street  
San Diego, CA 92101

PWB.213.581244.1

# **EXHIBIT “1”**

**AGREEMENT REGARDING SECURITY INTEREST  
IN INTELLECTUAL PROPERTY**

**Grantor: Applied Membranes, Inc.,  
a California corporation  
2450 Business Park Drive  
Vista, CA 92081**

**Lender: Pacific Western Bank  
San Diego – Corporate Banking  
401 West A Street  
San Diego, CA 92101**

This Agreement Regarding Security Interest in Intellectual Property ("Agreement") is made as of June 25, 2015, and is entered into between APPLIED MEMBRANES, INC., a California corporation (referred to below as "Grantor"); and PACIFIC WESTERN BANK (referred to below as "Lender"), and is made with reference to the following:

**I.**

**RECITALS**

A. Lender has made, or has agreed to make, certain advances of money and to extend certain financial accommodations to Grantor, as Borrower, in the current original principal amount of Three Million Five Hundred Thousand Dollars (\$3,500,000.00) (the "Loan"), and Grantor has executed, or will execute, various promissory notes and security agreements in connection therewith. Lender may make additional advances and/or extend additional financial accommodations to Grantor in the future which are also hereby secured by the collateral described in this Agreement, and shall also be included in the collective definition of the "Loan." The promissory notes, security agreements, and any renewals, extensions, substitutions, consolidations, and/or modifications of the same, together with any other documents executed by or among the parties in connection with the Loan, are collectively referred to herein as the "Loan Documents."

B. To secure its obligations under the Loan Documents, and under any other agreement now existing or hereafter arising between Grantor and Lender, Grantor has agreed to grant and pledge to Lender a security interest in all of Grantor's right, title, and interest in, to and under certain intellectual property collateral as described herein.

C. In connection with the Loan to Grantor, Grantor has agreed to execute all documents required by Lender to reflect Lender's security interest in certain intellectual property of Grantor and such documents that are required for perfection of said security interest.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for such other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

**II.**

**AGREEMENT REGARDING SECURITY INTEREST IN INTELLECTUAL PROPERTY**

A. **Acknowledgment of Grant of Security Interest.** Grantor acknowledges and agrees that, as collateral security for the prompt and complete payment and performance of all of Grantor's present or future indebtedness, obligations, and liabilities to Lender ("Indebtedness"), Grantor assigns, transfers, conveys, and grants a security interest in and to Grantor's entire right, title, and interest in and to the following:

1. All inventory, chattel paper, accounts, contract rights, equipment, general intangibles, and fixtures, whether presently held or acquired in the future;
2. All software, firmware, object codes, source codes, and/or commented source codes with linking and compiling controls;
3. All trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired, or held;
4. All design rights which may be available to Grantor now or hereafter existing, created, acquired, or [with]held;
5. All copyright rights, registered or unregistered, and all derivative works, copyright applications, and like protections in each work or authorship and derivative work thereof, whether published or unpublished, and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired, or held.
6. All patents, patent applications, and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions, and continuations in part of the same.
7. Any trademark and service mark rights, whether registered or not, applications to register, and registrations of same and like protections, and the entire good will of the business of Grantor connected with and symbolized by such trademarks and service marks, including, without limitation, those set forth below:
  - a) "APPLIED MEMBRANES INC."; US Serial Number: 75-103,815; US Registration Number: 2,071,571; Owner: APPLIED MEMBRANES INC.; Filing Date: May 14, 1996;
  - b) "APPLIED MEMBRANES INC."; US Serial Number: 75-103,816; US Registration Number: 2,071,572; Owner: APPLIED MEMBRANES INC.; Filing Date: May 14, 1996.
  - c) "APPLIED"; US Serial Number: 75-103,851; US Registration Number: 2,102,884; Owner: APPLIED MEMBRANES INC.; Filing Date: May 14, 1996.
  - d) "AMI"; US Serial Number: 75-103,817; US Registration Number: 2,071,573; Owner: APPLIED MEMBRANES INC.; Filing Date: May 14, 1996.
  - e) "WATERANYWHERE"; US Serial Number: 76-471,412; US Registration Number: 2,852,686; Owner: APPLIED MEMBRANES INC.; Filing Date: November 18, 2002.
  - f) "WATERANYWHERE"; US Serial Number: 76-471,544; US Registration Number: 2,855,604; Owner: APPLIED MEMBRANES INC.; Filing Date: November 18, 2002.
  - g) "WATERANYWHERE.COM"; US Serial Number: 76-472,019; US Registration Number: 2,852,690; Owner: APPLIED MEMBRANES INC.; Filing Date: November 18, 2002.

8. Any and all claims for damages by way of past, present, and future infringement of any rights included above with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above.

9. All licenses or other rights to use any of the copyrights, patents, or trademarks, and all license fees and royalties arising from such use to the extent permitted by such license or right.

10. All amendments, renewals, extensions of any of the copyrights, trademarks, or patents.

11. All proceeds and products of the foregoing, including without limitation, all payments under insurance or any indemnity or warranty payable in respect to any of the foregoing, and all general contract rights, intangibles and account proceeds, all goods, inventory, books and records, and accounts receivable from any source.

The foregoing described security is collectively referred to as the "Collateral."

B. **Authorization and Request.** Grantor acknowledges and agrees that Lender may and shall record appropriate documentation with the United States Copyright Office and/or U.S. Patent and Trademark Office and the appropriate state offices reflecting the Lender's security interest in the Collateral.

C. **Covenants and Warranties.** Grantor represents, warrants, covenants, and agrees as follows:

1. Grantor is now the sole owner of the Collateral.
2. Grantor does not own or have an interest in any patents, copyrights or trademarks other than those trademarks and/or service marks specifically identified in Section A.7. above.
3. Grantor's grant of a security interest in and/or performance of the terms and conditions of the Loan Documents does not conflict with or result in the breach of any agreement to which Grantor is a party or by which Grantor is bound, except to the extent that certain intellectual property agreements prohibit the assignment of the rights thereunder to a third party without the Licensor's or other party's consent, which Grantor acknowledges has been obtained if necessary.
4. Neither this Agreement nor any other Loan Document creates or is intended to create a present assignment of the Collateral. Subject to the rights of Lender, it is the intention of the parties hereto that Grantor continues to own the Collateral. During the term of the Loan Documents, as extended by any modifications, or renewals, Grantor will not transfer or otherwise encumber any interest in the Collateral, except as set forth in this Agreement.
5. Grantor's interest in the Collateral, including all intangible personal property, is valid and enforceable and no part of the Collateral has been adjudicated invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Collateral violates the rights of any third party.
6. No third party has claimed an interest or right, in whole or in part, in or to any or all of the Collateral.



7. Grantor shall promptly advise Lender of any material adverse change in the composition of the Collateral, including but not limited to any subsequent ownership right of the Grantor in or to any intangible/intellectual property not specified in this Agreement.

8. Grantor shall promptly notify Lender of any additional interests and/or rights it acquires in and to any copyrights, patents, trademarks, and/or derivative work and/or any revisions, modifications, updates, upgrades, new subroutines, and/or new program or source codes which shall constitute part of the Lender's Collateral and shall be specifically identified thereafter. Notwithstanding such notice, the terms and conditions of this Agreement shall automatically apply to any and all such additional interests and/or rights.

9. Grantor shall use its best efforts to detect infringements and to promptly advise Lender in writing of material infringements so detected.

10. Grantor shall protect, defend, and maintain the validity and enforceability of the Collateral, including copyrights, patents, and/or trademarks.

11. Grantor shall not allow any intangible/intellectual property including copyrights, patents, and/or trademarks to be abandoned, forfeited, or dedicated to the public without the prior written consent of Lender.

12. Any and all fees, costs, and expenses, of whatever kind or nature, including the reasonable attorneys' fees and legal expenses incurred by Lender in connection with the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances or otherwise protecting, maintaining or preserving the Collateral, or in defending or prosecuting any actions or proceedings arising out of or related to the Collateral, shall be borne and paid by Grantor on demand by Lender and until so paid shall be added to the principal amount of the Loan and shall bear interest at the rate prescribed in the Loan Documents.

13. Grantor acknowledges and agrees that in the event it seeks to abandon, forfeit, or dedicate to the public any Collateral, or portion thereof, Lender may withhold consent based on a determination that such abandonment, forfeiture, or dedication results in a material change in the value of the Collateral and/or Lender deems itself insecure.

14. Grantor shall promptly register the most recent version of any of Grantor's copyrights, if not so already registered, and shall, from time to time, execute and file such other instruments and take such further actions as Lender may reasonably request from time to time to perfect or continue the perfection of Lender's interest in the Collateral.

15. By virtue of Grantor's execution of this Agreement and the Security Agreement(s) (as defined in the Loan Documents), Lender has a first priority valid perfected security interest in the Collateral.

16. All information provided by Grantor to Lender by or on behalf of Grantor with respect to the Collateral is accurate and complete in all material respects.

17. Grantor shall not enter into any agreement that would materially impair or conflict with Grantor's obligations under this Agreement and/or in any Security Agreement relating to the Loan Documents without Lender's prior written consent. Grantor shall not permit the inclusion in any material contract to which it becomes a party of any provisions that could or might in any way prevent the creation of a security interest in Lender's rights and interest in any property included with the definition of the

Collateral acquired under such contract, except that certain contracts may contain anti-assignment provisions that could in effect prohibit the creation of a security interest in such contracts.

18. Grantor will promptly notify Lender in writing of any event that materially adversely affects the value of any Collateral, the ability of Grantor to dispose of any Collateral or the rights and remedies of Lender in relation thereto, including the levy of any legal process against any of the Collateral.

D. **Cross-Collateralization**. In addition to the obligations set forth in the Loan Documents, this Agreement secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Loan, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

E. **Inspection Rights**. Grantor hereby grants to Lender and its employees, representatives, and agents the right to visit, during reasonable hours upon prior reasonable written notice to Grantor, any of Grantor's business facilities, and to inspect the Collateral, products, and quality control records relating thereto. Grantor also grants Lender and its employees, representatives, and/or agents the right to inspect, upon prior reasonable written notice to Grantor, the books and records reflecting the accounts receivable generated from the Collateral. Grantor shall provide Lender with copies of any and all accounts receivable records relating to the Collateral within two (2) business days of Lender's written request for same.

F. **Further Assurances - Attorney in Fact**

1. On a continuing basis, Grantor will make, execute, acknowledge, and deliver, and file and record in the proper filing and recording places in the United States, all such instruments including appropriate financing and continuation statements and collateral agreements and filings with the United States Patent and Trademark Office and the Registrar of Copyrights, and take all such action as may be reasonably deemed necessary or advisable or as requested by Lender to perfect Lender's security interest in all copyrights, patents, and trademarks, and to otherwise carry out the intent and purposes of this Agreement, or for assuring and confirming to Lender the grant or perfection of a security interest in all Collateral.

2. Grantor hereby irrevocably appoints Lender as Lender's attorney-in-fact with full authority in the place and stead of Grantor and in the name of Grantor from time to time in Lender's discretion to take any action and to execute any instrument which Lender may deem necessary or advisable to accomplish the purposes of this Agreement including, without limitation: (i) to modify, in its sole discretion, this Agreement without first obtaining Grantor's approval of or signature to such modification as appropriate to include reference to any right, title, or interest in any additional collateral after the execution hereof, or to delete any reference to any right, title, or interest in any collateral which Grantor no longer has or claims any right, title, or interest in; (ii) to file, in its full discretion, one or more financing or continuation statements and amendments thereto relative to any of the Collateral without the signature of Grantor where permitted by law; and (iii) to endorse Grantor's name on all applications, documents, papers and instruments necessary for Lender to use the Collateral, or to grant or issue any exclusive or nonexclusive license under the Collateral to anyone else, or necessary for Lender to assign, pledge, convey or otherwise transfer title in or dispose of the Collateral to anyone else.

G. **Events of Default.** The occurrence of any of the following shall constitute an event of default under this Agreement:

1. When a default occurs under the Loan or any of the Loan Documents; or
2. Grantor breaches any warranty or agreement made by Grantor in this Agreement.

H. **Remedies.** Upon the occurrence of any event of default, and at any time thereafter, Lender shall have the right to exercise all of the remedies of a secured party under the California Uniform Commercial Code. Lender shall have a nonexclusive royalty free license to use the Collateral to the extent reasonably necessary to permit Lender to exercise its rights and remedies upon an event of default. All of Lender's rights and remedies with respect to the Collateral shall be cumulative, and nothing contained herein shall preclude or limit Lender's rights and remedies set forth in the Note, the Security Agreement(s), or other Loan Documents, or to which Lender is entitled by law or in equity. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

**Assemble Collateral.** Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

**Sell the Collateral.** Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in its own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor reasonable notice of the time after which any private sale or any other intended disposition of the Collateral is to be made. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days, or such lesser time as required by state law, before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

**Appoint Receiver.** To the extent permitted by applicable law, Lender shall have the following rights and remedies regarding the appointment of a receiver: (a) Lender may have a receiver appointed as a matter of right, (b) the receiver may be an employee of Lender and may serve without bond, and (c) all fees of the receiver and his or her attorney shall become part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

**Collect Revenues, Apply Accounts.** Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in its discretion transfer any Collateral into its own name or that of its nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand,

collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

**Obtain Deficiency.** If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

**Other Rights and Remedies.** Lender shall have all the rights and remedies of a secured creditor under the provisions of the California Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, under the Note, the Related Documents, or otherwise.

**Cumulative Remedies.** All of Lender's rights and remedies, whether evidenced by this Agreement, by the Note, the Security Agreement(s), or the Related Documents or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and to exercise its remedies.

I. **Indemnity.** Grantor agrees to defend, indemnify, and hold harmless Lender and its officers, employees, attorneys, and agents against: (i) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Agreement; (ii) all losses or expenses in any way suffered, incurred, or paid by Lender as a result of, or in any way arising out of, following, or consequential to, transactions between Lender and Grantor whether under this Agreement or otherwise (including without limitation reasonable attorneys' fees and expenses); and (iii) all obligations, demands, claims, and liabilities claimed or asserted by any party in connection with the Collateral.

J. **Reassignment.** At such time as Grantor shall completely satisfy all of the obligations secured hereunder, Lender shall execute and deliver to Grantor all deeds, assignments, and other instruments as may be necessary or proper to revest in Grantor full title to the Collateral assigned hereunder subject to any disposition thereof which may have been made by Lender in accordance with the terms of this agreement and/or of the Loan Documents.

K. **No Waiver.** No course of dealing, nor failure to exercise, nor delay in exercising any right, power, or privilege hereunder shall operate as a waiver thereof.

L. **Gender and Person.** As used in this Agreement, the masculine, feminine, or neuter gender and the singular and plural shall be deemed to include the other whenever the context so indicates.

M. **Attorneys' Fees; Expenses.** Grantor agrees to pay upon demand all of Lender's costs and expenses, including reasonable attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may pay someone else to help enforce this Agreement,

and Grantor shall pay the reasonable costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (and including efforts to modify or vacate any automatic stay or injunction), arbitration, appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

N. **Advice of Counsel.** The parties acknowledge and agree that they have been or have had the opportunity to be represented by independent counsel in the negotiation, preparation, and the execution of this Agreement and that each of them have read this Agreement and has had the opportunity to have it fully explained by his, her, or their counsel prior to its execution and is fully aware of its contents and legal effect.

O. **Binding Upon Successors and Assigns.** This Agreement and the covenants and conditions contained herein shall apply to, be binding upon, and inure to the benefit of the respective heirs, administrators, executors, legal representatives, assignees, successors, and agents of the parties hereto.

P. **Severability.** The provisions of this Agreement are severable and should any provision be, for any reason, unenforceable, the balance shall, nonetheless, be of full force and effect.

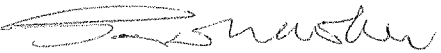
Q. **Governing Law, Venue and Construction.** This Agreement shall, in all respects, be interpreted, enforced, and governed by and under the laws of the United States and the State of California. This Agreement has been accepted by Lender in the State of California. This Agreement is to be deemed to have been jointly prepared by the parties, and any uncertainty or ambiguity existing herein shall not be interpreted against any or the other parties, but according to the application of the rules of interpretation of contracts, if any such uncertainty or ambiguity exists. In the event that any suit or action is brought to enforce any of the provisions of this Agreement or to interpret same, Grantor agrees, upon Lender's request, to submit to the jurisdiction of, and to the venue being in, any court of competent jurisdiction sitting in San Diego County, California.

R. **Amendment.** This Agreement may not be and shall not be deemed or construed to have been modified, amended, rescinded, cancelled, or waived, in whole or in part, except by written instrument signed by the parties hereto.

S. **Relationship to Loan Documents.** This Agreement supplements, and the rights contained herein are cumulative to, the provisions contained in the Loan Documents/Related Documents.

IN WITNESS WHEREOF, Grantor has executed this Agreement on the date and year set forth above.

**BORROWER/GRANTOR: APPLIED MEMBRANES, INC.,  
a California corporation**

By:   
Gulshan K. Dhawan, President/Secretary

# **EXHIBIT “2”**

## COMMERCIAL SECURITY AGREEMENT

**Grantor:** Applied Membranes, Inc.,  
a California corporation  
2450 Business Park Drive  
Vista, CA 92081

**Lender:** Pacific Western Bank  
San Diego – Corporate Banking  
401 West A Street  
San Diego, CA 92101

THIS COMMERCIAL SECURITY AGREEMENT dated June 25, 2015, is made and executed between Applied Membranes, Inc., a California corporation (“Grantor”) and Pacific Western Bank (“Lender”).

**GRANT OF SECURITY INTEREST.** For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

**COLLATERAL DESCRIPTION.** The word “Collateral” as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

All personal and fixture property of every kind and nature including without limitation all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts (including health-care-insurance receivables), chattel paper (whether tangible or electronic) deposit accounts, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims, securities and all other investment property, supporting obligations, any other contract rights or rights to the payment of money, insurance claims and proceeds, tort claims, and all general intangibles including, without limitation, all payment intangibles, patents, patent applications, trademarks, trademark applications, trade names, copyrights, copyright applications, software, engineering drawings, service marks, customer lists, goodwill, and all licenses, permits, agreements of any kind or nature pursuant to which the Debtor/Grantor possesses, uses or has authority to possess or use property (whether tangible or intangible) of others or others possess, use or have authority to possess or use property (whether tangible or intangible) of the Debtor/Grantor, and all recorded data of any kind or nature, regardless of the medium of recording including, without limitation, all software, writings, plans, specifications and schematics, and all supplements, modifications, amendments, renewals, extensions, proceeds, replacements and substitutions of or to any such property.

The Collateral specifically includes the property listed on Exhibit “A” hereto, without limitation.

In addition, the word “Collateral” also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (A) All accessions, attachments, accessories, tools, parts, supplies, replacements of and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, consignment or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other

disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.

(E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

**FUTURE ADVANCES.** In addition to the Note, this Agreement secures all future advances made by Lender to Grantor regardless of whether the advances are made a) pursuant to a commitment or (b) for the same purposes.

**GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL.** With respect to the Collateral, Grantor represents and promises to Lender that:

**Perfection of Security Interest.** Grantor agrees to take whatever actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper and instruments if not delivered to Lender for possession by Lender. **This is a continuing Security Agreement and will continue in effect even though all or any part of the Indebtedness is paid in full and even though for a period of time Grantor may not be indebted to Lender.**

**Notices to Lender.** Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the management or in the shareholders of the corporate Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's state of organization; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name or state of organization will take effect until after Lender has received notice.

**No Violation.** The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party, and its membership agreement does not prohibit any term or condition of this Agreement.

**Enforceability of Collateral.** To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

**Location of the Collateral.** Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral at Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

**Removal of the Collateral.** Except in the ordinary course of Grantor's business, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.



**Transactions Involving Collateral.** Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

**Title.** Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

**Repairs and Maintenance.** Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

**Inspection of Collateral.** Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

**Taxes, Assessments and Liens.** Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

**Compliance with Governmental Requirements.** Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, including without limitation all environmental laws, ordinances, rules and regulations, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

**Hazardous Substances.** Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify and defend shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

**Maintenance of Casualty Insurance.** Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

**Application of Insurance Proceeds.** Grantor shall promptly notify Lender of any loss or damage to the Collateral if the estimated cost of repair or replacement exceeds \$25,000.00, whether or not such casualty or loss is covered by insurance. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

**Insurance Reserves.** Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

**Insurance Reports.** Grantor, upon request of Lender, shall furnish to Lender reports on each

existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

**Financing Statements.** Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. This includes making sure Lender is shown as the first and only security interest holder on the title covering the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement. If Grantor changes Grantor's name or address, or the name or address of any person granting a security interest under this Agreement changes, Grantor will promptly notify the Lender of such change.

**GRANTOR'S RIGHT TO POSSESSION.** Until default, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

**LENDER'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

**DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

**Payment Default.** Grantor fails to make any payment when due under the Indebtedness.

**Environmental Default.** Failure of any party to comply with or perform when due any term, obligation, covenant or condition contained in any environmental agreement executed in

connection with any Indebtedness.

**Other Defaults.** Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

**Default in Favor of Third Parties.** Any guarantor or Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of any guarantor's or Grantor's property or ability to perform their respective obligations under this Agreement or any of the Related Documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Defective Collateralization.** This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

**Insolvency.** The dissolution of Grantor (regardless of whether election to continue is made), any shareholder withdraws from the corporation, or any other termination of Grantor's existence as a going business or the death of any shareholder, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or Guarantor dies or becomes incompetent or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

**Change in Ownership.** Any change in ownership of twenty-five percent (25%) or more of the stock of Grantor.

**Adverse Change.** A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**Cure Provisions.** If any default, other than a default in payment is curable and if Grantor has not been given a notice of a breach of the same provision of this Agreement within the preceding twelve (12) months, it may be cured if Grantor, after Lender sends written notice to Grantor demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

**RIGHTS AND REMEDIES ON DEFAULT.** If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the California Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

**Accelerate Indebtedness.** Lender may declare the entire Indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice of any kind to Grantor.

**Assemble Collateral.** Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

**Sell the Collateral.** Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor, and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

**Appoint Receiver.** Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

**Collect Revenues, Apply Accounts.** Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

**Obtain Deficiency.** If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

**Other Rights and Remedies.** Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

**Election of Remedies.** Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:

**Amendments.** This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of 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.

**Attorneys' Fees; Expenses.** Grantor 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 enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and 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. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

**Governing Law.** This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of California.

**Choice of Venue.** If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of San Diego County, State of California.

**Preference Payments.** Any monies Lender pays because of an asserted preference claim in Grantor's bankruptcy will become a part of the Indebtedness and, at Lender's option, shall be payable by Grantor as provided in this Agreement.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights 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 Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor'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 to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Notices.** Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

**Power of Attorney.** Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral.

**Waiver of Co-Obligor's Rights.** If more than one person is obligated for the Indebtedness, Grantor irrevocably waives, disclaims and relinquishes all claims against such other person which Grantor has or would otherwise have by virtue of payment of the Indebtedness or any part thereof, specifically including but not limited to all rights of indemnity, contribution or exoneration.

**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 unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

**Successors and Assigns.** Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

**Survival of Representations and Warranties.** All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

**Time is of the Essence.** Time is of the essence in the performance of this Agreement.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code:

**Agreement.** The word "Agreement" means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

**Borrower.** The word "Borrower" means Applied Membranes, Inc., a California corporation, and includes all co-signers and co-makers signing the Note and all their successors and assigns.

**Collateral.** The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

**Default.** The word "Default" means the Default set forth in this Agreement in the section titled "Default".

**Environmental Laws.** The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., Chapters 6.5 through 7.7 of Division 20 of the California Health and Safety Code, Section 25100, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

**Event of Default.** The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

**Grantor.** The word "Grantor" means Applied Membranes, Inc., a California corporation.

**Guarantor.** The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Indebtedness.

**Guaranty.** The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

**Hazardous Substances.** The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

**Indebtedness.** The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement or under any of the Related Documents. Specifically, without limitation, Indebtedness includes the future advances set forth in the Future Advances provision of this Agreement together with all Interest thereon.

**Lender.** The word "Lender" means Pacific Western Bank, its successors and assigns.

**Note.** The word "Note" means the promissory note dated November 29, 2004, as amended from time to time by a series of Change in Terms Agreements, in the original maximum principal amount of \$3,500,000.00 from Borrower to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement. **NOTICE TO GRANTOR: THE NOTE CONTAINS A VARIABLE INTEREST RATE.**

**Property.** The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit



agreements, loan agreements, environmental agreements, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

**GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED JUNE 25, 2015.**

**GRANTOR:**

**APPLIED MEMBRANES, INC.,  
a California corporation**

By:   
Gulshan K. Dhawan, President/Secretary

PWB.213.581240.1

## EXHIBIT "A"

Any trademark and service mark rights, whether registered or not, applications to register and registrations of same and like protections, and the entire good will of the business of Grantor connected with and symbolized by such trademarks, including, without limitation, those set forth below:

1. "APPLIED MEMBRANES INC."; US Serial Number: 75-103,815; US Registration Number: 2,071,571; Owner: APPLIED MEMBRANES INC.; Filing Date: May 14, 1996; and
2. "APPLIED MEMBRANES INC."; US Serial Number: 75-103,816; US Registration Number: 2,071,572; Owner: APPLIED MEMBRANES INC.; Filing Date: May 14, 1996.
3. "APPLIED"; US Serial Number: 75-103,851; US Registration Number: 2,102,884; Owner: APPLIED MEMBRANES INC.; Filing Date: May 14, 1996.
4. "AMI"; US Serial Number: 75-103,817; US Registration Number: 2,071,573; Owner: APPLIED MEMBRANES INC.; Filing Date: May 14, 1996.
5. "WATERANYWHERE"; US Serial Number: 76-471,412; US Registration Number: 2,852,686; Owner: APPLIED MEMBRANES INC.; Filing Date: November 18, 2002.
6. "WATERANYWHERE"; US Serial Number: 76-471,544; US Registration Number: 2,855,604; Owner: APPLIED MEMBRANES INC.; Filing Date: November 18, 2002.
7. "WATERANYWHERE.COM"; US Serial Number: 76-472,019; US Registration Number: 2,852,690; Owner: APPLIED MEMBRANES INC.; Filing Date: November 18, 2002.

Any and all claims for damages by way of past, present and future infringement of any rights above with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;

All licenses or other rights to use any of the trademarks and all license fees and royalties arising from such use to the extent permitted by such license or right;

All amendments, renewals, extensions of any of the trademarks;

All proceeds and products of the foregoing, including without limitation, all payments under insurance or any indemnity or warranty payable in respect to any of the foregoing, and all general contract rights, intangibles and account proceeds, all goods, inventory, books and records and accounts receivable from any source.