

**TRADEMARK ASSIGNMENT**

Electronic Version v1.1  
 Stylesheet Version v1.1

<b>SUBMISSION TYPE:</b>	NEW ASSIGNMENT		
<b>NATURE OF CONVEYANCE:</b>	SUBSIDIARY SECURITY AGREEMENT		
<b>CONVEYING PARTY DATA</b>			
<b>Name</b>	<b>Formerly</b>	<b>Execution Date</b>	<b>Entity Type</b>
PIONETICS CORPORATION		08/22/2008	CORPORATION: CALIFORNIA
<b>RECEIVING PARTY DATA</b>			
<b>Name:</b>	EMPORIA CAPITAL FUNDING LLC, as administrative agent for the Lenders		
<b>Street Address:</b>	515 SOUTH FIGUEROA STREET, 11TH FLOOR		
<b>Internal Address:</b>	ATTN: IAN WONG		
<b>City:</b>	LOS ANGELES		
<b>State/Country:</b>	CALIFORNIA		
<b>Postal Code:</b>	90071		
<b>Entity Type:</b>	LIMITED LIABILITY COMPANY: DELAWARE		
<b>PROPERTY NUMBERS Total: 3</b>			
<b>Property Type</b>	<b>Number</b>	<b>Word Mark</b>	
Registration Number:	3454200	DIAL-A-TASTE	
Registration Number:	2789653	PIONETICS	
Registration Number:	2789652	LINX	
<b>CORRESPONDENCE DATA</b>			
<b>Fax Number:</b>	(213)226-4028		
	<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>		
<b>Phone:</b>	213-488-7100		
<b>Email:</b>	kevin.davis@pillsburylaw.com		
<b>Correspondent Name:</b>	ANNA PARK, ESQ.		
<b>Address Line 1:</b>	PILLSBURY WINTHROP SHAW PITTMAN LLP		
<b>Address Line 2:</b>	725 SOUTH FIGUEROA STREET, SUITE 2800		
<b>Address Line 4:</b>	LOS ANGELES, CALIFORNIA 90017-5406		
<b>ATTORNEY DOCKET NUMBER:</b>	026117-0000006		
<b>NAME OF SUBMITTER:</b>	ANNA PARK		

CH \$90.00 3454200

Signature:	/Anna Park/
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Date:	08/26/2008
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**Total Attachments: 36**

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## SUBSIDIARY SECURITY AGREEMENT

This SUBSIDIARY SECURITY AGREEMENT, dated as of August 22, 2008 (the "Agreement"), is made by the entity listed on the signature page hereof and by each entity which becomes a party hereto by execution of the Joinder referred to in Section 20 (each, a "Grantor" and collectively, the "Grantors"), whose obligations hereunder shall be joint and several, in favor of EMPORIA CAPITAL FUNDING LLC, as administrative agent (in such capacity, the "Agent") for the Lenders (as defined in the Credit Agreement referred to below, the "Lenders").

### RECITALS

A. The Agent and the Lenders have entered into that certain Credit Agreement dated as of July 17, 2007, as amended by that certain First Amendment to Credit Agreement dated as of May 29, 2008 and by that certain Second Amendment to Credit Agreement dated as of even date herewith (said Agreement, as so amended and as it may hereafter be further amended, restated, supplemented or otherwise modified from time to time, being called the "Credit Agreement") with RAYNE CORPORATION, a California corporation, RAYNE DEALERSHIP CORPORATION, a California corporation, RAYNE - SAN DIEGO, INC., a California corporation, BONCOR WATER SYSTEMS, LLC, a Delaware limited liability company, CAL SOFT WATER SERVICE, INC., a Delaware corporation, RAYNE WATER CONDITIONING, INC., an Arizona corporation and SMSWC, INC., a Utah corporation (collectively, the "Borrowers").

B. Section 5.12 of the Credit Agreement requires each Borrower to cause each of its Domestic Subsidiaries formed or acquired after the Closing Date to execute and deliver this Agreement. Each Grantor, as a Domestic Subsidiary of a Borrower, desires to execute this Agreement because it is interested in the financial success of such Borrower and, in addition, anticipates that extensions of credit under the Credit Agreement may be distributed by the Borrowers to it or otherwise used to its benefit.

C. Terms defined in the Credit Agreement and not otherwise defined herein have the same respective meanings when used herein, and the rules of interpretation set forth in Section 1.2 of the Credit Agreement are incorporated herein by reference. Schedule and Exhibit references are to this Agreement unless otherwise specified, and each such Schedule and Exhibit is incorporated herein. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

### AGREEMENT

NOW, THEREFORE, in order to induce the Lenders and the Agent to enter into the Credit Agreement and for good and valuable consideration, the receipt and adequacy of which hereby is acknowledged, each Grantor hereby represents, warrants, covenants, agrees, assigns and grants as follows:

1. Definitions. Unless the context otherwise requires, terms defined in the Uniform Commercial Code of the State of California (the "Uniform Commercial Code") and not

otherwise defined in this Agreement or in the Credit Agreement shall have the meanings defined for those terms in the Uniform Commercial Code. In addition, the following terms shall have the meanings respectively set forth after each:

“Certificates” means all certificates, instruments and other documents now or hereafter representing or evidencing any Pledged Securities or any Pledged Limited Liability Company Interests.

“Collateral” means all present and future right, title and interest of any Grantor in or to any personal property (including fixtures) or assets whatsoever, whether now owned or existing or hereafter arising or acquired and wheresoever located, and all rights and powers of such Grantor to transfer any interest in or to any such personal property or assets whatsoever, including, any and all of the following personal property:

(a) All present and future accounts, accounts receivable, agreements, guarantees, contracts, leases, licenses, contract rights, health-care-insurance receivables, letter-of-credit rights and other rights to payment (collectively, the “Accounts”), together with all instruments, documents, chattel paper, security agreements, guaranties, undertakings, surety bonds, insurance policies, notes and drafts, all other supporting obligations, and all forms of obligations owing to any Grantor or in which any Grantor may have any interest, however created or arising;

(b) All present and future general intangibles, payment intangibles, agreements, guarantees, contracts, contract rights, letter-of-credit rights, instruments, documents, leases, licenses and rights to payment; and all other forms of obligations owing to any Grantor or in which any Grantor may have any interest, however created or arising; all tax refunds of every kind and nature to which any Grantor now or hereafter may become entitled, however arising, all other refunds, all commitments to extend financing to any Grantor, and all deposits, goodwill, choses in action, trade secrets, computer programs (other than off-the-shelf shrink-wrap software), software (other than off-the-shelf shrink-wrap software), customer lists, trademarks, trade names, patents, licenses, copyrights, technology (other than off-the-shelf shrink-wrap software), processes (other than off-the-shelf shrink-wrap software), proprietary information, insurance proceeds and warranties including, the Copyrights, the Patents, the Marks and the goodwill of any Grantor’s business connected with and symbolized by the Marks;

(c) All present and future demand, time, savings, passbook, deposit and like accounts (general or special) (collectively, the “Deposit Accounts”) in which any Grantor has any interest which is maintained with any bank, savings and loan association, credit union or like organization, including, each account listed on Schedule E (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), and all money, cash and cash equivalents of any Grantor, whether or not deposited in any Deposit Account;

(d) All present and future books and records, including, books of account and ledgers of every kind and nature, all electronically recorded data relating to any Grantor or the business thereof, all receptacles and containers for such records, and all files and correspondence;

(e) All present and future goods, including, all furniture, fixtures, furnishings, machinery, automobiles, trucks, other vehicles, spare parts, supplies, equipment and other

tangible property owned by any Grantor and used, held for use or useful in connection with its business, wherever located, and all other goods used in connection with or in the conduct of any Grantor's business or otherwise owned by any Grantor (collectively, the "Equipment");

(f) All present and future inventory and merchandise, including, all present and future goods held for sale or lease or to be furnished under a contract of service, all raw materials, work in process and finished goods, all packing materials, supplies and containers relating to or used in connection with any of the foregoing, and all bills of lading, warehouse receipts and documents of title relating to any of the foregoing (collectively, the "Inventory");

(g) All present and future stocks, bonds, debentures, certificated and uncertificated securities, security entitlements, subscription rights, options, warrants, puts, calls, certificates, securities accounts, commodity contracts, commodity accounts, partnership interests, limited liability company interests, joint venture interests and investment and/or brokerage accounts, and all other investment property, including, the Certificates, the Pledged Securities, the Pledged Partnership Interests and the Pledged Limited Liability Company Interests, and all rights, preferences, privileges, dividends, distributions (in cash or in kind), redemption payments or liquidation payments with respect thereto;

(h) All present and future accessions, appurtenances, components, repairs, repair parts, spare parts, replacements, substitutions, additions, issue and/or improvements to or of or with respect to any of the foregoing;

(i) All other tangible and intangible personal property of any Grantor;

(j) All rights, remedies, powers and/or privileges of any Grantor with respect to any of the foregoing; and

(k) Any and all proceeds and products of the foregoing, including, all money, accounts, general intangibles, deposit accounts, documents, instruments, letter-of-credit rights, investment property, chattel paper, goods, insurance proceeds and any other tangible or intangible property received upon the sale or disposition of any of the foregoing.

"Copyrights" means all:

(a) copyrights, whether or not published or registered under the Copyright Act of 1976, 17 U.S.C. Section 101 et seq., as the same shall be amended from time to time, and any predecessor or successor statute thereto (the "Copyright Act"), and applications for registration of copyrights, and all works of authorship and other intellectual property rights therein, including, copyrights for computer programs, source code and object code data bases and related materials and documentation, and including the registered copyrights and copyright applications listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), and (i) all renewals, revisions, derivative works, enhancements, modifications, updates, new releases and other revisions thereof, (ii) all income, royalties, damages and payments now and hereafter due and/or payable with respect thereto, including, payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof, (iii) the right to sue for past, present and future

infringements thereof and (iv) all of any Grantor's rights corresponding thereto throughout the world;

(b) rights under or interests in any copyright license agreements with any other party, whether any Grantor is a licensee or licensor under any such license agreement, including, the copyright license agreements listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), and the right to use the foregoing in connection with the enforcement of the Secured Party's rights under the Loan Documents; and

(c) copyrightable materials now or hereafter owned by any Grantor, all tangible property embodying the copyrights or copyrightable materials described herein, and all tangible property covered by the licenses described in clause (b) hereof.

“Limited Liability Company Assets” means all assets, whether tangible or intangible and whether real, personal or mixed (including, all limited liability company capital and interests in other limited liability companies), at any time owned or represented by any Limited Liability Company Interests.

“Limited Liability Company Interests” means the entire limited liability company interest at any time owned by any Grantor in any Pledged Entity.

“Marks” means all (i) trademarks, trademark registrations, interests under trademark license agreements, trade names, trademark applications, service marks, business names, trade styles, designs, logos and other source or business identifiers which are used in the United States or any state, territory or possession thereof, or in any other place, nation or jurisdiction anywhere in the world, including the trademarks, trademark registrations, applications, service marks, business names, trade styles, design logos and other source or business identifiers listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), (ii) licenses pertaining to any such mark, whether any Grantor is a licensor or licensee including, the licenses listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), (iii) all income, royalties, damages and payments now and hereafter due and/or payable with respect to any such mark or any such license, including, damages and payments for past, present or future infringements thereof, (iv) rights to sue for past, present and future infringements thereof, (v) rights corresponding thereto throughout the world, (vi) all product specification documents and production and quality control manuals used in the manufacture of products sold under or in connection with such marks, (vii) all documents that reveal the name and address of all sources of supply of, and all terms of purchase and delivery for, all materials and components used in the production of products sold under or in connection with such marks, (viii) all documents constituting or concerning the then current or proposed advertising and promotion by any Grantor, its subsidiaries or licensees of products sold under or in connection with such marks, including all documents that reveal the media used or to be used and the cost for all such advertising and (ix) renewals and proceeds of any of the foregoing.

“Patents” means all (i) letters patent, design patents, utility patents, inventions and trade secrets, all patents and patent applications in the United States Patent and Trademark Office, and all interests under patent license agreements, including the inventions and improvements

described and claimed therein, including those letters patent, design patents, utility patents, inventions, trade secrets, patents, patent applications and patent license agreements listed on Schedule B (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), (ii) licenses pertaining to any patent whether any Grantor is a licensor or licensee, (iii) income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, including, damages and payments for past, present or future infringements thereof, (iv) rights to sue for past, present and future infringements thereof, (v) rights corresponding thereto throughout the world and (vi) the reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing.

“Pledged Collateral” means the Certificates, the Pledged Securities, the Pledged Partnership Interests and the Pledged Limited Liability Company Interests.

“Pledged Entity” means each limited liability company set forth in Schedule A (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), together with any other limited liability company in which any Grantor may have an interest at any time.

“Pledged Limited Liability Company Interests” means all interests in each Pledged Entity held by any Grantor, including those Limited Liability Company Interests identified in Schedule A (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement), including (i) all the capital thereof and any Grantor’s interests in all profits, losses, Limited Liability Company Assets and other distributions in respect thereof; (ii) all other payments due or to become due to any Grantor in respect of such Limited Liability Company Interests; (iii) all of any Grantor’s claims, rights, powers, privileges, authority, options, security interests, liens and remedies in respect of such Limited Liability Company Interests; (iv) all of any Grantor’s rights to exercise and enforce every right, power, remedy, authority, option and privilege relating to such Limited Liability Company Interests; and (v) all other property delivered in substitution for or in addition to any of the foregoing and all certificates and instruments representing or evidencing such other property received, receivable or otherwise distributed in respect of or in exchange for any or all thereof.

“Pledged Partnership Interests” means all interests in any partnership or joint venture held by any Grantor, including those partnerships and/or joint ventures identified in Schedule A (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement) and all dividends, cash, instruments and other properties from time to time received, to be received or otherwise distributed in respect of or in exchange for any or all of such interests.

“Pledged Securities” means all shares of capital stock of any issuer in which any Grantor has an interest, including, those shares of stock identified in Schedule A (as such Schedule may be supplemented from time to time in accordance with the terms of this Agreement) and all dividends, cash, instruments and other properties from time to time received, to be received or otherwise distributed in respect of or in exchange for any or all of such shares.

“Secured Party” means, collectively, the Agent, the Lenders and each counterparty to a Hedging Agreement entered into pursuant to the Credit Agreement, provided that such counterparty is a Lender or an affiliate of a Lender.

2. Creation of Security Interest. Each Grantor hereby assigns and pledges to the Agent for the ratable benefit of the Secured Party, and grants to the Agent for the ratable benefit of the Secured Party a security interest in and to, all right, title and interest of such Grantor in and to all presently existing and hereafter acquired Collateral.

3. Security for Obligations. This Agreement and the pledges made and security interests granted herein secure the prompt payment, in full in cash, and full performance of, the Obligations.

4. Delivery of Pledged Collateral.

(a) Each Certificate shall, on (i) the date hereof (with respect to Certificates existing on such date) and (ii) on the date of receipt or acquisition by any Grantor (with respect to Certificates received or acquired after the date hereof), be delivered to and held by the Agent on behalf of the Secured Party and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed undated endorsements, instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Agent.

(b) The Agent shall have the right, upon the occurrence and during the continuance of an Event of Default, without notice to any Grantor, to transfer to or to direct any Grantor or any nominee of any Grantor to register or cause to be registered in the name of the Agent or any of its nominees any or all of the Pledged Collateral. In addition, the Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

5. Further Assurances.

(a) At any time and from time to time, at the written request of the Agent, the Grantors shall execute and deliver to the Agent, at the Grantors' expense, all such financing statements and other instruments, certificates and documents in form and substance reasonably satisfactory to the Agent, and perform all such other acts as shall be necessary or desirable to fully perfect or protect or maintain, when filed, recorded, delivered or performed, the Secured Party's security interests granted pursuant to this Agreement or to enable the Agent and the Lenders to exercise and enforce their rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, each Grantor shall: (i) at the request of the Agent, mark conspicuously each document included in the inventory and each other contract relating to the Accounts, and all chattel paper, instruments and other documents (as defined in the Uniform Commercial Code) and each of their records pertaining to the Collateral with a legend, in form and substance reasonably satisfactory to the Agent, indicating that such document, contract, chattel paper, instrument or Collateral is subject to the security interests granted hereby; (ii) at the request of the Agent, if any Account or contract or other writing relating thereto shall be evidenced by a promissory note or other instrument, deliver and pledge to the Agent, for the ratable benefit of the Secured Party, such note(s) and/or other instrument(s)



duly endorsed and accompanied by duly executed undated instruments of transfer or assignment, all in form and substance reasonably satisfactory to the Agent; (iii) authorize the filing of such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Agent may reasonably request, in order to perfect and preserve, with the required priority, the security interests granted, or purported to be granted hereby; (iv) upon such Grantor's registration, or application therefor, of any copyright under the Copyright Act, at the Agent's request execute and deliver to the Agent for recordation and filing in the United States Copyright Office a copy of this Agreement or another appropriate copyright mortgage document in form and substance reasonably satisfactory to the Agent; (v) upon such Grantor's registration, or application therefor, of any Patent or Mark, at the Agent's request execute and deliver to the Agent for recordation and filing in the United States Patent and Trademark Office a copy of this Agreement or another appropriate patent or trademark mortgage document, as applicable, in form and substance reasonably satisfactory to the Agent; and (vi) at the request of the Agent, cause Control Agreements to be executed by all parties necessary to establish "control" under the Uniform Commercial Code with respect to all deposit accounts (other than payroll accounts; provided that such excluded payroll accounts at no time contain funds in an aggregate amount exceeding \$10,000 and, in any event, not more than the amount necessary to fund current payroll obligations), securities accounts, investment property, letter-of-credit rights and electronic chattel paper of such Grantor.

(b) At any time and from time to time, the Agent shall be entitled to file and/or record any or all such financing statements, instruments and documents held by it, and any or all such further financing statements, documents and instruments, relative to the Collateral or any part thereof in each instance, and to take all such other actions as the Agent may deem appropriate to perfect and to maintain perfected the security interests granted herein.

(c) Each Grantor hereby authorizes the Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of such Grantor where permitted by law that indicate (a) the Collateral (i) as all assets of such Grantor or words of similar effect, regardless of whether any particular asset contained in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed or (ii) as being of an equal or lesser scope or within greater detail and (b) contain any other information required by Section 5 of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed regarding the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether such Grantor is an organization, the type of organization and any organization identification number issued to such Grantor and (ii) in the case of a financing statement filed as a fixture filing or indicating the Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. A carbon, photographic or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(d) Each Grantor shall furnish to the Agent concurrently with the delivery of the Covenant Compliance Certificate referred to in Section 5.2 of the Credit Agreement (or more frequently upon the reasonable request of the Agent or, upon the occurrence and during the continuance of an Event of Default, at any time requested by the Agent), statements and

schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Agent may request including the following: (i) if such Grantor obtains any rights or interests in any Deposit Accounts, securities accounts or other investment property (other than that referred to on Schedule A), such Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule E to reflect such additional Deposit Accounts, securities accounts or other investment property; (ii) if such Grantor publishes or registers, or applies for registration, of any copyright under the Copyright Act, such Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule B to reflect the publication or registration of such copyright or application therefor; (iii) if such Grantor obtains any rights or interests in any Marks, such Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule B to reflect such additional Marks; (iv) if such Grantor obtains any rights or interests in any Patents, such Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule B to reflect such Patents; and (v) if such Grantor receives or acquires any additional shares of capital stock of any Person, any additional partnership interests in any partnership or joint venture or any additional Limited Liability Company Interests, such Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, supplement Schedule A to reflect such additional Pledged Collateral.

(e) With respect to any Collateral consisting of certificates of title or the like as to which the Secured Party's security interest need be perfected by, or the priority thereof need be assured by, notation on the certificate of title pertaining to such Collateral, each Grantor will, (i) promptly notify the Agent of the acquisition thereof and (ii) at the request of the Agent, cause such security interest to be noted on such certificate of title.

(f) With respect to any Collateral consisting of certificates of stock, securities, instruments, partnership or joint venture interests, interests in limited liability companies, or the like, each Grantor hereby consents and agrees that, upon the occurrence and during the continuance of an Event of Default, the issuers of, or obligors on, any such Collateral, or any registrar or transfer agent or trustee for any such Collateral, shall be entitled to accept the provisions of this Agreement as conclusive evidence of the right of the Agent to effect any transfer or exercise any right hereunder or with respect to any such Collateral subject to the terms hereof, notwithstanding any other notice or direction to the contrary heretofore or hereafter given (prior to the termination of this Agreement) by any Grantor or any other Person to such issuers or such obligors or to any such registrar or transfer agent or trustee.

(g) Upon any Grantor's obtaining any rights or interests in any tangible chattel paper or electronic chattel paper, such Grantor shall, in addition to all other acts required to be performed in respect thereof pursuant to this Agreement, promptly notify the Agent of such rights or interests.

6. Voting Rights; Dividends; Etc. So long as no Event of Default shall have occurred and be continuing:

(a) Voting Rights. Each Grantor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Securities, the Pledged Partnership Interests

and the Pledged Limited Liability Company Interests (including, all voting, consent, administration, management and other rights and remedies under any partnership agreement or any operating agreement or otherwise with respect to the Pledged Securities, the Pledged Partnership Interests or the Pledged Limited Liability Company Interests), or any part thereof, for any purpose not inconsistent with the terms of this Agreement, the Credit Agreement or the other Loan Documents; provided, however, that no Grantor shall exercise any such right if it would result in a Default.

(b) Dividend and Distribution Rights. Subject to the terms of the Credit Agreement, each Grantor shall be entitled to receive and to retain and use any and all dividends or distributions paid in respect of the Pledged Securities, the Pledged Partnership Interests or the Pledged Limited Liability Company Interests; provided, however, that any and all

(i) non-cash dividends or distributions in the form of capital stock, certificated limited liability company interests, instruments or other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Securities, Pledged Partnership Interests or Pledged Limited Liability Company Interests,

(ii) dividends and other distributions paid or payable in cash in respect of any Pledged Securities, Pledged Partnership Interests or Pledged Limited Liability Company Interests in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(iii) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Securities, Pledged Partnership Interests or Pledged Limited Liability Company Interests,

shall forthwith be delivered to the Agent to be held as Collateral or applied to the Obligations in accordance with the Credit Agreement, as the Agent may elect; and, if received by any Grantor, shall be received in trust for the benefit of the Secured Party, be segregated from the other property of such Grantor and forthwith be delivered to the Agent in the same form as so received (with any necessary endorsements).

7. Rights as to Pledged Collateral During Event of Default. When an Event of Default has occurred and is continuing:

(a) Voting, Dividend and Distribution Rights. At the option of the Agent, all rights of any Grantor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6(a) above, and to receive the dividends and distributions which it would otherwise be authorized to receive and retain pursuant to Section 6(b) above, shall cease, and all such rights shall thereupon become vested in the Agent who shall thereupon have the sole right to exercise such voting and other consensual rights and to receive and to hold as Pledged Collateral such dividends and distributions.

(b) Dividends and Distributions Held in Trust. All dividends and other distributions which are received by any Grantor contrary to the provisions of Section 7(a) of this Agreement shall be received in trust for the benefit of the Secured Party, shall be segregated from other

funds of such Grantor and forthwith shall be paid over to the Agent as Collateral in the same form as so received (with any necessary endorsements).

(c) Registration. Determination by the Agent to exercise its right to sell pursuant to Section 16 hereof any or all of the Pledged Securities without registering the Pledged Securities under the Securities Act of 1933 shall not, by the sole fact of such sale, be deemed to be commercially unreasonable.

8. Irrevocable Proxy. Each Grantor hereby revokes all previous proxies with regard to the Pledged Securities, the Pledged Partnership Interests (if such interests are limited partnership interests) and the Pledged Limited Liability Company Interests and appoints the Agent as its proxyholder and attorney-in-fact to (i) attend and vote at any and all meetings of the shareholders of the corporation(s) which issued the Pledged Securities (whether or not transferred into the name of the Agent), and any adjournments thereof, held on or after the date of the giving of this proxy and to execute any and all written consents, waivers and ratifications of shareholders of such corporation(s) executed on or after the date of the giving of this proxy with the same effect as if such Grantor had personally attended the meetings or had personally voted its shares or had personally signed the written consents, waivers or ratification, and (ii) attend and vote at any and all meetings of the members of the Pledged Entities (whether or not such Pledged Limited Liability Company Interests or Pledged Partnership Interests are transferred into the name of the Agent), and any adjournments thereof, held on or after the date of the giving of this proxy and to execute any and all written consents, waivers and ratifications of the Pledged Entities executed on or after the date of the giving of this proxy with the same effect as if such Grantor had personally attended the meetings or had personally voted on its Limited Liability Company Interests or Pledged Partnership Interests or had personally signed the consents, waivers or ratifications; provided, however, that the Agent as proxyholder and attorney-in-fact shall have rights hereunder only upon the occurrence and during the continuance of an Event of Default. Each Grantor hereby authorizes the Agent to substitute another Person (which Person shall be a successor to the rights of the Agent hereunder or a nominee appointed by the Agent to serve as proxyholder) as the proxyholder and, upon the occurrence or during the continuance of any Event of Default, hereby authorizes and directs the proxyholder to file this proxy and the substitution instrument with the secretary of the appropriate corporation, limited partnership or limited liability company. This proxy is coupled with an interest and is irrevocable until such time each Commitment has expired and all Obligations have been indefeasibly paid in full.

9. Copyrights.

(a) Royalties. Each Grantor hereby agrees that the use by the Agent or any Lender of the Copyrights as authorized hereunder in connection with the Agent's or the Lenders' exercise of their rights and remedies hereunder shall be without any liability for royalties or other related charges from the Agent or the Lenders to any Grantor.

(b) Restrictions on Future Agreements. Subject to the terms hereof and of the Credit Agreement, each Grantor shall be permitted to manage, license and administer its Copyrights in such manner as such Grantor in its reasonable business judgment deems desirable; provided, however, that no Grantor will, without the Agent's prior written consent (which consent will not

be unreasonably withheld or delayed so long as no Default has occurred and is continuing), (i) abandon any Copyright material to such Grantor's business in which any Grantor now owns or hereafter acquires any rights or interests, (ii) enter into any license agreements with respect to its Copyrights (other than license agreements entered into in the ordinary course of such Grantor's business with new dealers of water conditioning equipment) or (iii) fail to take any action, or permit any others (including licensees) to fail to take any action with respect to its Copyrights, which would customarily be taken by a Person in the same business and in similar circumstances as such Grantor.

(c) Duties of Grantors. Each Grantor agrees to: (i) prosecute diligently any copyright application included in the Copyrights, (ii) upon the occurrence and during the continuance of an Event of Default, make application for registration of such uncopyrighted but copyrightable material owned by such Grantor as the Agent reasonably deems appropriate, (iii) place notices of copyright on all copyrightable property produced or owned by such Grantor embodying the Copyrights and cause its licensees to do the same, (iv) file and prosecute opposition and cancellation proceedings, and (v) take all action necessary to preserve and maintain all of such Grantor's rights in those Copyrights that are or shall be necessary in the operation of such Grantor's business, including making timely filings for renewals and extensions of registered Copyrights and diligently monitoring unauthorized use thereof. Any expenses incurred in connection with the foregoing shall be borne by the Grantors. Each Grantor shall give proper statutory notice in connection with its use of each Copyright to the extent necessary for the protection thereof. Each Grantor shall notify the Agent of any suits it commences to enforce any Copyright and shall provide the Agent with copies of any documents requested by the Agent relating to such suits. Neither the Agent nor the Lenders shall have any duty with respect to the Copyrights other than to act lawfully and without gross negligence or willful misconduct. Without limiting the generality of the foregoing, neither the Agent nor the Lenders shall be under any obligation to take any steps necessary to preserve rights in the Copyrights against any other party, but the Agent may do so at its option upon the occurrence and during the continuance of an Event of Default, and all expenses incurred in connection therewith shall be for the account of the Grantors and shall be added to the Obligations.

10. Patents and Marks.

(a) Royalties. Each Grantor hereby agrees that any rights granted hereunder to the Agent or any Lender with respect to Patents and Marks shall be applicable to all territories in which such Grantor has the right to use such Patents and Marks, from time to time, and without any liability for royalties or other related charges from the Agent or the Lenders to such Grantor.

(b) Restrictions on Future Agreements. Subject to the terms hereof and of the Credit Agreement, each Grantor shall be permitted to manage, license and administer its Patents and Marks in such manner as such Grantor in its reasonable business judgment deems desirable; provided, however, that no Grantor will, without the Agent's prior written consent (which consent will not be unreasonably withheld or delayed so long as no Default has occurred and is continuing) (i) abandon any Patent or Mark material to such Grantor's business in which any Grantor now owns or hereafter acquires any rights or interests, (ii) enter into any license agreements with respect to such Patents or Marks (other than license agreements entered into in the ordinary course of such Grantor's business with new dealers of water conditioning

equipment) or (iii) fail to take any action, or permit any others (including licensees) to fail to take any action with respect to its Patents or Marks, which would customarily be taken by a Person in the same business and in similar circumstances as such Grantor.

(c) Duties of Grantors. Each Grantor agrees to: (i) prosecute diligently any patent application or trademark application included in the Patents or Marks, (ii) upon the occurrence and during the continuance of an Event of Default, make application on unpatented but patentable inventions owned by such Grantor and on unregistered Marks, as the case may be, as the Agent reasonably deems appropriate, (iii) file and prosecute opposition and cancellation proceedings and (iv) take all action necessary to preserve and maintain all rights in those Patents and Marks that are or shall be necessary in the operation of such Grantor's business, including, making timely filings for renewals and extensions of any Patents and Marks and diligently monitoring unauthorized use thereof. Any expenses incurred in connection with the foregoing shall be borne by the Grantors. Each Grantor shall give proper statutory notice in connection with its use of each Mark and each Patent to the extent necessary for the protection thereof. Each Grantor shall notify the Agent of any suit it commences to enforce any Patent or Mark and shall provide the Agent with copies of any documents requested by the Agent relating to such suit. Neither the Agent nor the Lenders shall have any duty with respect to the Patents and Marks other than to act lawfully and without gross negligence or willful misconduct. Without limiting the generality of the foregoing, neither the Agent nor the Lenders shall be under any obligation to take any steps necessary to preserve rights in the Patents and Marks against any other party, but the Agent may do so at its option upon the occurrence and during the continuance of an Event of Default, and all expenses incurred in connection therewith shall be for the account of the Grantors and shall be added to the Obligations.

11. Grantors' Representations and Warranties. Each Grantor represents and warrants as follows:

(a) (i) Schedule C sets forth each location at which (A) Inventory and/or Equipment is located or (B) such Grantor conducts business and, with respect to each such location, whether such Grantor is duly qualified and in good standing under the laws of such location; (ii) the chief executive office of such Grantor, where such Grantor keeps its records concerning the Collateral and the chattel paper evidencing the Collateral, is located at the address set forth for such Grantor on Schedule D; (iii) all records concerning any Accounts and all originals of all contracts and other writings which evidence any Accounts are located at the addresses listed on Schedule D; (iv) such Grantor has exclusive possession and control of the Equipment and the Inventory, except as set forth on Schedule C (and provided that Schedule C shall provide, with respect to such Equipment and Inventory (other than Equipment installed in homes in the ordinary course of business), its description, location and approximate value); (v) such Grantor's exact legal name, and the place of formation of such Grantor, are as set forth in the preamble to this Agreement; (vi) each trade name or other fictitious name under which such Grantor conducts business, or has conducted business at any time during the five years immediately preceding the date hereof, is set forth on Schedule F; and (vii) such Grantor's state organizational identification number, if any, is set forth on Schedule F.

(b) Such Grantor is the legal and beneficial owner of the Collateral free and clear of all Liens except for Liens permitted by Section 6.3 of the Credit Agreement. Such Grantor has

the power, authority and legal right to grant the security interests in the Collateral purported to be granted hereby, and to execute, deliver and perform this Agreement. The pledge of the Collateral pursuant to this Agreement creates a valid security interest in the Collateral. Upon the filing of appropriate financing statements in the filing offices set forth on Schedule F, the recordation of appropriate documentation with the United States Copyright Office and the United States Patent and Trademark Office, as applicable, the execution of Control Agreements with respect to the deposit accounts and the securities accounts of such Grantor and the delivery to the Agent of the Certificates, as the case may be, the Secured Party will have a first-priority perfected security interest (except for Liens permitted by Section 6.3 of the Credit Agreement) in the Collateral to the extent a security interest in such Collateral can be perfected by such filings, recordations, Control Agreements, the giving of such notices and the delivery of such Certificates.

(c) The Pledged Securities and the Pledged Limited Liability Company Interests have been duly authorized and validly issued and are fully paid and nonassessable. All of the Pledged Securities and the Pledged Limited Liability Company Interests are in certificated form and are securities (as contemplated by Article 8 of the Uniform Commercial Code).

(d) No consent of any Person, including, any partner in a partnership with respect to which such Grantor has pledged its interest as a Pledged Partnership Interest or any member in a Pledged Entity, is required for the pledge by such Grantor of the Collateral.

(e) The Pledged Securities described on Schedule A constitute (i) all of the shares of capital stock of any Person owned by such Grantor and (ii) that percentage of the issued and outstanding shares of the respective issuers thereof indicated on Schedule A, and there is no other class of shares issued and outstanding of the respective issuers thereof except as set forth on Schedule A. The Pledged Partnership Interests described on Schedule A constitute (i) all of the partnerships or joint ventures in which such Grantor has an interest and (ii) such Grantor's respective percentage interests in each such partnership or joint venture are as set forth on such Schedule A, and there is no other class of interests therein issued and outstanding except as set forth on Schedule A. The Pledged Limited Liability Company Interests described on Schedule A constitute (i) all of the Limited Liability Company Interests of such Grantor and (ii) such Grantor's respective percentage interests in each such Pledged Entity are as set forth on Schedule A, and there is no other class of interests therein issued and outstanding except as set forth on Schedule A.

(f) No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority (other than such authorizations, approvals and other actions as have already been taken and are in full force and effect) is required (A) for the pledge of the Collateral or the grant of the security interest in the Collateral by such Grantor hereby or for the execution, delivery or performance of this Agreement by such Grantor, or (B) for the exercise by the Agent of the voting rights in the Pledged Securities, the Pledged Partnership Interests and the Pledged Limited Liability Company Interests or of any other rights or remedies in respect of the Collateral hereunder except as may be required in connection with any disposition of Collateral consisting of securities by laws affecting the offering and sale of securities generally.

(g) Such Grantor does not own, is not a licensee of, nor has such Grantor applied for any Copyrights, Marks or Patents, other than those set forth on Schedule B. Except as set forth on Schedule B, none of such Copyrights, Marks or Patents has been registered with any Governmental Authority, nor has an application for such registration been made.

(h) Schedule E sets forth (i) all of such Grantor's deposit accounts, (ii) all of such Grantor's securities accounts and other investment property (other than that referred to on Schedule A) and (iii) all letters of credit issued for the benefit of such Grantor. Such Grantor has no chattel paper or electronic chattel paper.

(i) Such Grantor does not own or lease any vehicle having a value in excess of \$100,000.

12. Grantors' Covenants. In addition to the other covenants and agreements set forth herein and in the other Loan Documents, each Grantor covenants and agrees as follows:

(a) Such Grantor will pay, prior to delinquency, all taxes, charges, Liens and assessments against the Collateral, except those with respect to which the amount or validity is being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of such Grantor.

(b) The Collateral will not be used in violation of any Requirement of Law applicable to such Grantor that could reasonably be expected to have a Material Adverse Effect, nor used in any way that will void or impair any insurance required to be carried in connection therewith.

(c) Such Grantor will keep the Collateral in good repair, working order and operating condition (normal wear and tear excluded), and from time to time make all necessary and proper repairs, renewals, replacements, additions and improvements thereto.

(d) Such Grantor will take all reasonable steps to preserve and protect the Collateral.

(e) Such Grantor will promptly notify the Agent in writing in the event of any material damage to the Collateral from any source whatsoever.

(f) Such Grantor will (i) not establish any location of Inventory or Equipment not listed on Schedule C, (ii) not move its principal place of business, chief executive office or any other office listed on Schedule D, (iii) Intentionally Omitted; (iv) not acquire or open, as applicable, any deposit account or securities account, or acquire any letter of credit issued for the benefit of such Grantor, (v) not create any chattel paper without placing a legend on the chattel paper acceptable to the Agent indicating the Agent's security interest therein, (vi) not change its legal name, its place of incorporation, formation or organization (as applicable) or its state organizational identification number, from those specified in the preamble to this Agreement and Schedule F; (vii) Intentionally Omitted; (viii) not permit any issuer of Pledged Securities to issue any securities in uncertificated form or seek to convert all or any part of any Pledged Securities into uncertificated form (as contemplated by Article 8 of the Uniform Commercial Code), (ix) not permit any issuer of Pledged Limited Liability Company Interests to issue any Limited Liability Company Interests in uncertificated form, seek to convert all or any part of any Limited Liability Company Interests into uncertificated form or render any Limited Liability Company



Interests to no longer be a security (as contemplated by Article 8 of the Uniform Commercial Code), or (x) not permit any issuer of Pledged Securities or any Pledged Entity to issue any additional Capital Stock or membership interests or any other rights or options with respect thereto, as applicable, other than to such Grantor, except, in each case set forth in clauses (i)-(x) above, upon not less than 30 days' prior written notice to the Agent and such Grantor's prior compliance with all applicable requirements of Section 5 hereof necessary to perfect the Secured Party's security interests hereunder, and in each case subject to the terms of the Credit Agreement.

(g) Subject to Section 5.10 of the Credit Agreement, such Grantor shall not permit any Equipment or Inventory to be in the possession of a third party unless written notice of the Secured Party's security interest therein has been given to such third party, and such third party has acknowledged in writing that it is holding such Collateral for the benefit of the Secured Party, such notice and acknowledgement to be in form reasonably acceptable to the Secured Party.

(h) Such Grantor shall not withdraw as a member of any Pledged Entity or a partner in any partnership with respect to which such Grantor has pledged any interest, or file or pursue or take any action which may, directly or indirectly, cause a dissolution or liquidation of or with respect to any Pledged Entity or any such partnership or seek a partition of any property of any Pledged Entity or any such partnership.

(i) Such Grantor shall promptly notify the Agent in writing in the event that such Grantor becomes a licensee of any Copyright, Mark or Patent, other than those set forth on Schedule B, and shall execute any and all documents, instruments or agreements and perform any and all actions reasonably requested by the Agent to give an assignment thereof including procuring the consent of the licensor thereto.

13. Agent's Rights Regarding Collateral. At any time and from time to time, the Agent may, to the extent necessary or desirable to protect the security hereunder, but the Agent shall not be obligated to: (a) (whether or not a Default has occurred) itself or through its representatives, visit and inspect any Grantor's properties and examine and make abstracts from any of its books and records in accordance with Section 5.6 of the Credit Agreement or (b) if an Event of Default has occurred and is continuing, at the expense of the Grantors, perform any obligation of any Grantor under this Agreement. At any time and from time to time after an Event of Default has occurred and is continuing, at the expense of the Grantors, the Agent (for the benefit of the Secured Party) may, to the extent necessary or desirable to protect the security hereunder, but the Agent shall not be obligated to: (i) notify obligors on the Collateral that the Collateral has been assigned as security to the Agent for the benefit of the Secured Party; (ii) at any time and from time to time request from obligors on the Collateral, in the name of any Grantor or in the name of the Secured Party, information concerning the Collateral and the amounts owing thereon; and (iii) direct obligors under the contracts included in the Collateral to which any Grantor is a party to direct their performance to the Agent. Each Grantor shall keep proper books and records and accounts in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all material dealings and transactions pertaining to the Collateral. Subject to subsection (a) above, the Agent shall at all reasonable times have full access to and the right to audit any and all of any Grantor's books and records

pertaining to the Collateral, and to confirm and verify the value of the Collateral. Neither the Agent nor the Lenders shall be under any duty or obligation whatsoever to take any action to preserve any rights of or against any prior or other parties in connection with the Collateral, to exercise any voting rights or managerial rights with respect to any Collateral or to make or give any presentments for payment, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonor or notices of any other nature whatsoever in connection with the Collateral or the Obligations. Neither the Agent nor the Lenders shall be under any duty or obligation whatsoever to take any action to protect or preserve the Collateral or any rights of any Grantor therein, or to make collections or enforce payment thereon, or to participate in any foreclosure or other proceeding in connection therewith. Nothing contained herein shall constitute an assumption by the Agent or the Lenders of any obligations of any Grantor under any contracts assigned hereunder unless the Agent shall have given written notice to the counterparty to such assigned contract of the Agent's intention to assume such contract on behalf of the Secured Party. Each Grantor shall continue to be liable for performance of its obligations under such contracts.

Prior to foreclosing on any Pledged Securities, Pledged Limited Liability Company Interests or Pledged Partnership Interests, nothing contained herein shall be construed to make the Agent or any Lender liable as a stockholder of any corporation, member of any Pledged Entity or partner in any partnership with respect to which any Grantor has pledged its interests in Pledged Securities, Pledged Limited Liability Company Interests or Pledged Partnership Interests, and neither the Agent nor any Lender by virtue of this Agreement or otherwise (except as referred to in the following sentence) shall have any of the duties, obligations or liabilities of a stockholder of any such corporation, member of any such Pledged Entity or partner in such partnership. The parties hereto expressly agree that, unless the Agent shall become the absolute owner of any Pledged Securities or Pledged Limited Liability Company Interests or Pledged Partnership Interests pursuant hereto, this Agreement shall not be construed as creating a partnership or joint venture among the Agent, any Lender, any such corporation, any such Pledged Entity or any such partnership and/or any Grantor. Except as provided in the immediately preceding sentence, the Agent, by accepting this Agreement, does not intend to become a stockholder of any corporation, member of any Pledged Entity or partner in any partnership with respect to which any Grantor has pledged its interests in any Pledged Securities, Pledged Limited Liability Company Interests or Pledged Partnership Interests, or otherwise be deemed to be a co-venturer with respect to any Grantor or any such corporation, Pledged Entity or partnership, either before or after an Event of Default shall have occurred.

14. Collections on the Collateral. Except as provided to the contrary in the Credit Agreement, each Grantor shall have the right to use and to continue to make collections on and receive dividends and other proceeds of all of the Collateral in the ordinary course of business so long as no Event of Default shall have occurred and be continuing. Upon the occurrence and during the continuance of an Event of Default, at the option of the Agent, any Grantor's right to make collections on and receive dividends and other proceeds of the Collateral and to use or dispose of such collections and proceeds shall terminate, and any and all dividends, proceeds and collections, including all partial or total prepayments, then held or thereafter received on or on account of the Collateral will be held or received by such Grantor in trust for the Secured Party and immediately delivered in kind to the Agent (duly endorsed to the Agent, if required), to be applied to the Obligations or held as Collateral, as the Agent shall elect. Upon the occurrence

and during the continuance of an Event of Default, the Agent shall have the right at all times to receive, receipt for, endorse, assign, deposit and deliver, in the name of the Agent or the Secured Party or in the name of any Grantor, any and all checks, notes, drafts and other instruments for the payment of money constituting proceeds of or otherwise relating to the Collateral; and each Grantor hereby authorizes the Agent to affix, by facsimile signature or otherwise, the general or special endorsement of such Grantor, in such manner as the Agent shall deem advisable, to any such instrument in the event the same has been delivered to or obtained by the Agent without appropriate endorsement, and the Agent and any collecting bank are hereby authorized to consider such endorsement to be a sufficient, valid and effective endorsement by such Grantor, to the same extent as though it were manually executed by the duly authorized representatives of such Grantor, regardless of by whom or under what circumstances or by what authority such endorsement actually is affixed, without duty of inquiry or responsibility as to such matters, and each Grantor hereby expressly waives demand, presentment, protest and notice of protest or dishonor and all other notices of every kind and nature with respect to any such instrument.

15. Possession of Collateral by Agent. All the Collateral now, heretofore or hereafter delivered to the Agent shall be held by the Agent in its possession, custody and control. Any or all of the Collateral delivered to the Agent constituting cash or Cash Equivalents shall, prior to the occurrence of any Event of Default, upon written request of any Grantor, be held in an interest-bearing account with the Agent, and shall be invested in Cash Equivalents. Nothing herein shall obligate the Agent to obtain any particular return thereon. Upon the occurrence and during the continuance of an Event of Default, whenever any of the Collateral is in the Agent's possession, custody or control, the Agent may use, operate and consume the Collateral, whether for the purpose of preserving and/or protecting the Collateral, or for the purpose of performing any of any Grantor's obligations with respect thereto, or otherwise, and, subject to the terms of the Credit Agreement, any or all of the Collateral delivered to the Agent constituting cash or Cash Equivalents shall be applied by the Agent to payment of the Obligations or held as Collateral, as the Agent shall elect. The Agent may at any time deliver or redeliver the Collateral or any part thereof to any Grantor, and the receipt of any of the same by such Grantor shall be complete and full acquittance for the Collateral so delivered, and the Agent thereafter shall be discharged from any liability or responsibility arising after such delivery to such Grantor. So long as the Agent exercises reasonable care with respect to any Collateral in its possession, custody or control, neither the Agent nor the Lenders shall have any liability for any loss of or damage to any Collateral, and in no event shall the Agent or the Lenders have liability for any diminution in value of the Collateral occasioned by economic or market conditions or events. The Agent shall be deemed to have exercised reasonable care within the meaning of the preceding sentence if the Collateral in the possession, custody or control of the Agent is accorded treatment substantially equal to that which the Agent accords similar property for its own account, it being understood that neither the Agent nor the Lenders shall have any responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Collateral, whether or not the Agent or any Lender has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any Person with respect to any Collateral.

16. Remedies.

(a) Rights Upon Event of Default. Upon the occurrence and during the continuance of an Event of Default, each Grantor shall be in default hereunder and the Agent for the benefit of the Secured Party shall have, in any jurisdiction where enforcement is sought, in addition to all other rights and remedies that the Agent on behalf of the Secured Party may have under this Agreement and under applicable laws or in equity, all rights and remedies of a secured party under the Uniform Commercial Code as enacted in any such jurisdiction in effect at that time, and in addition the following rights and remedies, all of which may be exercised with or without notice to any Grantor except such notice as may be specifically required by applicable law: (i) to foreclose the Liens created hereunder or under any other Loan Document by any available judicial procedure or without judicial process; (ii) to enter any premises where any Collateral may be located for the purpose of securing, protecting, inventorying, appraising, inspecting, repairing, preserving, storing, preparing, processing, taking possession of or removing the same; (iii) to sell, assign, lease or otherwise dispose of any Collateral or any part thereof, either at public or private sale or at any broker's board, in lot or in bulk, for cash, on credit or otherwise, with or without representations or warranties and upon such terms as shall be commercially reasonable; (iv) to notify obligors on the Collateral that the Collateral has been assigned to the Agent for the benefit of the Secured Party and that all payments thereon, or performance with respect thereto, are to be made directly and exclusively to the Agent for the account of the Secured Party; (v) to collect by legal proceedings or otherwise all dividends, distributions, interest, principal or other sums now or hereafter payable upon or on account of the Collateral; (vi) to enter into any extension, reorganization, disposition, merger or consolidation agreement, or any other agreement relating to or affecting the Collateral, and in connection therewith the Agent may deposit or surrender control of the Collateral and/or accept other property in exchange for the Collateral as the Agent deems appropriate; (vii) to settle, compromise or release, on terms acceptable to the Agent, in whole or in part, any amounts owing on the Collateral and/or any disputes with respect thereto; (viii) to extend the time of payment, make allowances and adjustments and issue credits in connection with the Collateral in the name of the Agent for the benefit of the Secured Party or in the name of any Grantor; (ix) to enforce payment and prosecute any action or proceeding with respect to any or all of the Collateral and take or bring, in the name of the Secured Party or in the name of any Grantor, any and all steps, actions, suits or proceedings deemed necessary or desirable by the Agent to effect collection of or to realize upon the Collateral, including, any judicial or nonjudicial foreclosure thereof or thereon, and each Grantor specifically consents to any nonjudicial foreclosure of any or all of the Collateral or any other action taken by the Secured Party which may release any obligor from personal liability on any of the Collateral, and any money or other property received by the Agent in exchange for or on account of the Collateral, whether representing collections or proceeds of Collateral, and whether resulting from voluntary payments or foreclosure proceedings or other legal action taken by Agent or any Grantor may be applied by the Agent, without notice to any Grantor, to the Obligations in such order and manner as the Agent in its sole discretion shall determine; (x) to insure, protect and preserve the Collateral; (xi) to exercise all rights, remedies, powers or privileges provided under any of the other Loan Documents; and (xii) to remove, from any premises where the same may be located, the Collateral and any and all documents, instruments, files and records, and any receptacles and cabinets containing the same, relating to the Collateral, and the Agent may, at the cost and expense of the Grantors, use such of its supplies, equipment, facilities and space at its places of business as may be necessary or

appropriate to properly administer, process, store, control, prepare for sale or disposition and/or sell or dispose of the Collateral or to properly administer and control the handling of collections and realizations thereon, and the Agent shall be deemed to have a rent-free tenancy of any premises of any Grantor for such purposes and for such periods of time as reasonably required by the Agent. Each Grantor will, at the Agent's request, assemble the Collateral and make it available to the Agent at places which the Agent may designate, whether at the premises of such Grantor or elsewhere, and will make available to the Agent, free of cost, all premises, equipment and facilities of such Grantor for the purpose of the Agent's taking possession of the Collateral or storing the same or removing or putting the Collateral in salable form or selling or disposing of the same. The Agent has no obligation to clean-up or otherwise prepare the Collateral for sale.

(b) Possession by Agent. Upon the occurrence and during the continuance of an Event of Default, the Agent also shall have the right, without notice or demand, either in person, by agent or by a receiver to be appointed by a court in accordance with the provisions of applicable law (and each Grantor hereby expressly consents, to the fullest extent permitted by applicable law, upon the occurrence and during the continuance of an Event of Default to the appointment of such a receiver), and, to the extent permitted by applicable law, without regard to the adequacy of any security for the Obligations, to operate the business of any Grantor, by, inter alia, taking possession of the Collateral or any part thereof and to collect and receive the rents, issues, profits, income and proceeds thereof, pending the exercise of any and all other rights and remedies available to the Agent under this Agreement and/or at law or in equity. The operation of any Grantor's business and the taking possession of the Collateral by the Agent shall not cure or waive any Event of Default or notice thereof or invalidate any act done pursuant to such notice. The rights, remedies and powers of any receiver appointed by a court shall be as ordered by said court.

(c) Sale of Collateral. Any public or private sale or other disposition of the Collateral may be held at any office of Agent, or at any Grantor's place of business, or at any other place permitted by applicable law, and without the necessity of the Collateral's being within the view of prospective purchasers. The Agent may direct the order and manner of sale of the Collateral, or portions thereof, as it in its sole and absolute discretion may determine provided such sale is commercially reasonable, and each Grantor expressly waives, to the extent permitted by applicable law, any right to direct the order and manner of sale of any Collateral. The Agent or any Person acting on the Agent's behalf may bid and purchase at any such sale or other disposition. In addition to the other rights of the Agent hereunder, each Grantor hereby grants to the Agent a license or other right to use, without charge, but only after the occurrence and during the continuance of an Event of Default, such Grantor's labels, copyrights, patents, rights of use of any name, trade names, trademarks and advertising matter, or any property of a similar nature, including, the Copyrights, the Patents and the Marks, in advertising for sale and selling any Collateral. The Secured Party may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral.

(d) Notice of Sale. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Agent will give the Grantors reasonable notice of the time and place of any public sale thereof or of the time on or after which

any private sale thereof is to be made. The requirement of reasonable notice conclusively shall be met if such notice is mailed, certified mail, postage prepaid, to the Grantors at the address set forth for the Grantors in the Subsidiary Guarantee, or delivered or otherwise sent to the Grantors, at least ten days before the date of the sale. Each Grantor expressly waives, to the fullest extent permitted by applicable law, any right to receive notice of any public or private sale of any Collateral or other security for the Obligations except as expressly provided for in this paragraph. The Agent shall not be obligated to make any sale of the Collateral if it shall determine not to do so regardless of the fact that notice of sale of the Collateral may have been given. The Agent may, without notice or publication, except as required by applicable law, adjourn the sale from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice (except as required by applicable law), be made at the time and place to which the same was so adjourned.

(e) Private Sales. With respect to any Collateral consisting of securities, partnership interests, membership interests, joint venture interests or the like, and whether or not any of such Collateral has been effectively registered under the Securities Act of 1933, as amended, or other applicable laws, the Agent may, in its sole and absolute discretion, sell all or any part of such Collateral at private sale in such manner and under such circumstances as the Agent may deem necessary or advisable in order that the sale may be lawfully conducted in a commercially reasonable manner. Without limiting the foregoing, the Agent may (i) approach and negotiate with a limited number of potential purchasers, and (ii) restrict the prospective bidders or purchasers to persons who will represent and agree that they are purchasing such Collateral for their own account for investment and not with a view to the distribution or resale thereof. In the event that any such Collateral is sold at private sale, each Grantor agrees to the extent permitted by applicable law that if such Collateral is sold for a price which is commercially reasonable, then (A) such Grantor shall not be entitled to a credit against the Obligations in an amount in excess of the purchase price, and (B) neither the Agent nor the Lenders shall incur any liability or responsibility to such Grantor in connection therewith, notwithstanding the possibility that a substantially higher price might have been realized at a public sale. Each Grantor recognizes that a ready market may not exist for such Collateral if it is not regularly traded on a recognized securities exchange, and that a sale by the Agent of any such Collateral for an amount less than a pro rata share of the fair market value of the issuer's assets minus liabilities may be commercially reasonable in view of the difficulties that may be encountered in attempting to sell a large amount of such Collateral or Collateral that is privately traded.

(f) Title of Purchasers. Upon consummation of any sale of Collateral hereunder, the Agent on behalf of the Secured Party shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the Collateral so sold absolutely free from any claim or right upon the part of any Grantor or any other Person claiming through any Grantor, and each Grantor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. If the sale of all or any part of the Collateral is made on credit or for future delivery, the Agent shall not be required to apply any portion of the sale price to the Obligations until such amount actually is received by the Agent, and any Collateral so sold may be retained by the Agent until the sale price is paid in full by the purchaser or purchasers thereof. The Secured Party shall not

incur any liability in case any such purchaser or purchasers shall fail to pay for the Collateral so sold, and, in case of any such failure, the Collateral may be sold again.

(g) Disposition of Proceeds of Sale. The proceeds resulting from the collection, liquidation, sale or other disposition of the Collateral shall be applied, first, to the reasonable costs and expenses (including, reasonable attorneys' fees) of retaking, holding, storing, processing and preparing for sale, selling, collecting and liquidating the Collateral, and the like; second, to the satisfaction of all Obligations; and third, any surplus remaining after the satisfaction of all Obligations, provided no Commitment is outstanding, to be paid over to the Grantors or to whomsoever may be lawfully entitled to receive such surplus.

(h) Certain Waivers. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands against the Agent and the Lenders arising out of the repossession, retention or sale of the Collateral, or any part or parts thereof, except to the extent any such claims, damages and awards arise out of the gross negligence or willful misconduct of the Agent or the Lenders.

(i) Remedies Cumulative. The rights and remedies provided under this Agreement are cumulative and may be exercised singly or concurrently, and are not exclusive of any other rights and remedies provided by law or equity.

(j) Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to this Section 16 are insufficient to cover the costs and expenses of such realization and the payment in full of the Obligations, each Grantor shall remain liable for any deficiency.

17. Agent Appointed Attorney-in-Fact. Each Grantor hereby irrevocably appoints the Agent as such Grantor's attorney-in-fact, effective upon and during continuance of an Event of Default, with full authority in the place and stead of such Grantor, and in the name of such Grantor, in the Agent's sole and absolute discretion to do any of the following acts or things: (a) to do all acts and things and to execute all documents necessary or advisable to perfect and continue perfected the security interests created by this Agreement and to preserve, maintain and protect the Collateral; (b) to do any and every act which such Grantor is obligated to do under this Agreement; (c) to authorize, prepare, sign, file and record, in such Grantor's name, any financing statement covering the Collateral; (d) to endorse and transfer the Collateral upon foreclosure by the Agent; (e) to grant or issue an exclusive or nonexclusive license under the Copyrights, the Patents or the Marks to anyone upon foreclosure by the Agent; (f) to assign, pledge, convey or otherwise transfer title in or dispose of the Copyrights, the Patents or the Marks to anyone upon foreclosure by the Agent; and (g) to file any claims or take any action or institute any proceedings which the Agent may reasonably deem necessary or desirable for the protection or enforcement of any of the rights of the Secured Party with respect to any of the Copyrights, the Patents and the Marks; provided, however, that the Agent shall be under no obligation whatsoever to take any of the foregoing actions, and neither the Agent nor the Lenders shall have any liability or responsibility for any act or omission (other than the Agent's or the Lenders' own gross negligence or willful misconduct) taken with respect thereto.

18. Costs and Expenses. Each Grantor agrees to pay to the Agent all reasonable costs and out-of-pocket expenses (including, reasonable attorneys' fees and disbursements) incurred by the Agent in the enforcement or attempted enforcement of this Agreement, whether or not an action is filed in connection therewith, and in connection with any waiver or amendment of any term or provision hereof. All reasonable advances, charges, costs and expenses, including, reasonable attorneys' fees and disbursements, incurred or paid by the Agent in exercising any right, privilege, power or remedy conferred by this Agreement (including, the right to perform any obligation of such Grantor), or in the enforcement or attempted enforcement thereof, shall be secured hereby and shall become a part of the Obligations and shall be due and payable to the Agent by such Grantor on demand therefor.

19. Transfers and Other Liens. Each Grantor agrees that, except as specifically permitted under the Credit Agreement, it will not (i) sell, assign, exchange, lease, license, transfer or otherwise dispose of, or contract to sell, assign, exchange, transfer or otherwise dispose of, or grant any option with respect to, any of the Collateral, or (ii) create or permit to exist any Lien upon or with respect to any of the Collateral, and each Grantor acknowledges that the Secured Party does not authorize any of the foregoing.

20. Future Grantors. Pursuant to Section 5.12 of the Credit Agreement, the Borrowers are required to cause each of its Domestic Subsidiaries formed or acquired after the Closing Date to execute and deliver to the Agent, concurrently with the formation or acquisition thereof, a joinder to this Agreement and the Subsidiary Guarantee substantially in the form of Exhibit A attached to the Subsidiary Guarantee.

21. Understandings With Respect to Waivers and Consents. Each Grantor represents, warrants and agrees that each of the waivers and consents set forth herein are made with full knowledge of their significance and consequences, with the understanding that events giving rise to any defense or right waived may diminish, destroy or otherwise adversely affect rights which such Grantor otherwise may have against the Secured Party or others, or against any Collateral. If any of the waivers or consents herein are determined to be unenforceable under applicable law, such waivers and consents shall be effective to the maximum extent permitted by law.

22. Indemnity. Each Grantor hereby indemnifies the Agent and the Lenders from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, enforcement of this Agreement), except to the extent such claims, losses or liabilities result from the Agent's or the Lenders' gross negligence or willful misconduct.

23. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by any Grantor herefrom (other than supplements to the Schedules hereto in accordance with the terms of this Agreement) shall in any event be effective unless the same shall be in writing and made in accordance with Section 9.1 of the Credit Agreement, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

24. Notices. All notices and other communications provided for hereunder shall be given in the manner, and to the respective addresses, set forth in Section 9.2 of the Credit



Agreement; provided, that notices and other communications to any Grantor shall be sent to the address for the Grantors set forth in the Subsidiary Guarantee

25. Continuing Security Interest; Successors and Assigns. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until payment in full in cash of the Obligations and the termination or expiration of the Commitments, (ii) be binding upon each Grantor, its successors and assigns and (iii) inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent, and any successor Agent, for the benefit of the Secured Party, subject to the terms of the Credit Agreement. Subject to the terms of the Credit Agreement, any Lender may assign or otherwise transfer any Loans, Commitments, or any rights in Collateral held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Agent or Lender herein or otherwise. Nothing set forth herein or in any other Loan Document is intended or shall be construed to give to any other party any right, remedy or claim under, to or in respect of this Agreement or any other Loan Document or any Collateral. A Grantor's successors and assigns shall include, without limitation, a receiver, trustee or debtor-in-possession thereof or therefor, provided that, none of the rights or obligations of any Grantor hereunder may be assigned or otherwise transferred.

26. Release of Grantors.

(a) This Agreement and all obligations of each Grantor hereunder and all security interests granted hereby shall be released and terminated when all Obligations have been paid in full in cash and when all Commitments have expired. Upon such release and termination, all rights in and to the Collateral shall automatically revert to the Grantors, and the Agent and the Lenders shall return any Pledged Collateral in their possession to the Grantors, or to the Person or Persons legally entitled thereto, and shall endorse, execute, deliver, record and file all instruments and documents, and do all other acts and things, reasonably required for the return of the Collateral to the Grantors, or to the Person or Persons legally entitled thereto, and to evidence or document the release of the interests of the Secured Party arising under this Agreement, all as reasonably requested by, and at the sole expense of, the Grantors.

(b) The Agent agrees that if an Asset Disposition permitted under the Credit Agreement occurs with respect to any Collateral, the Agent shall release such Collateral that is the subject of such Asset Disposition to the Grantors free and clear of the Lien under this Agreement, provided that so long as any Obligations remain outstanding under the Credit Agreement or any Commitment remains outstanding, the Agent shall have no obligation to make such release until arrangements reasonably satisfactory to it have been made for delivery to it of any Net Proceeds of any Asset Disposition required to be used to prepay the Obligations pursuant to Section 2.5(a) of the Credit Agreement.

27. **GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA (WITHOUT REFERENCE TO ITS CHOICE OF LAW RULES).**

28. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

IN WITNESS WHEREOF, the Grantor has executed this Agreement by its duly authorized representative as of the date first written above.

GRANTOR

PIONETICS CORPORATION, a California corporation

By: 

Name: Brock C. Vessey

Title: CEO

PLEDGED COLLATERAL

**[TO BE PROVIDED BY THE GRANTORS]**

1. Pledged Shares

<u>Issuer</u>	<u>Certificate No.</u>	<u>No of Shares</u>	<u>Percentage Interest in Issuer</u>	<u>Other Classes of Shares</u>
RayneAcquisition Corporation /Pionetics Corporation	1	100	100%	None

2. Pledged Partnership Interests

<u>Name of Partnership</u>	<u>Percentage Interest in Partnership</u>
None	

3. Pledged Limited Liability Company Interests

<u>Name of Limited Liability Company</u>	<u>Percentage Membership Interest</u>
None	

None

SCHEDULE B

COPYRIGHTS, PATENTS AND MARKS

[TO BE PROVIDED BY THE GRANTORS]

COPYRIGHTS

PATENTS

Patent No.	Country	Title	Inventor(s)	Status	Filing Date	Issue Date
PI 9807019-3	BRAZIL	CELULA ELETROQUIMICA CAPAZ DE REMOVER IONS DE UMA CORRENTE DE SOLUCAO, SISTEMA DE TROCA DE ION ELETROQUIMICO, CONJUNTO DE CELULAS ELETROQUIMICAS PARA REMOVER SELETIVAMENTE IONS MULTIVALENTES DE UMA SOLUCAO, E, PROCESSOS DE SUBSTITUICAO DE IONS EM UM MATERIAL DE TROCA DE ION PELA APLICACAO DE UMA VOLTAGEM PARA UMA CELULA ELETROQUIMICA, E DE REMOCAO	Pionetics Corporation	PI 9807019-3 (Issued)	7/28/1999	03/14/2000 -- BR9807019A
N/A	BRAZIL	aparelho e método para tratar uma solução afluyente	Pionetics Corporation	PI 0413377-3 (Pending)	2/7/2006	10/17/2006 -- BR0413377A
N/A	BRAZIL	ELECTROCHEMICAL ION EXCHANGE WITH TEXTURED MEMBRANES AND CARTRIDGE	Pionetics Corporation	PI0513753-5 (Pending)	3/25/2007	N/A
N/A	BRAZIL	ELECTROCHEMICAL ION EXCHANGE TREATMENT OF FLUIDS	Pionetics Corporation	(App. # not known) (New)		N/A
ZL 98802953.7	CHINA	ELECTROCHEMICALLY ASSISTED ION EXCHANGE	Pionetics Corporation	98802953.7 (Issued)	8/30/1999	04/05/2000 -- CN1249697T
N/A	CHINA	SELECTABLE ION CONCENTRATIONS WITH ELECTROLYTIC	Pionetics Corporation	200480029481.3 (Pending)	4/7/2006	11/15/2006 -- CN1863737A

		ION EXCHANGE				
N/A	CHINA	ELECTROCHEMICAL ION EXCHANGE WITH TEXTURED MEMBRANES AND CARTRIDGE	Pionetics Corporation	200580025400.7 (Pending)	1/26/2007	07/18/2007 -- CN101001690A
N/A	CHINA	FLUID FLOW CONTROLLING VALVE HAVING SEAL WITH REDUCED LEAKAGE	Pionetics Corporation	200580048560.3 (Pending)	8/22/2007	N/A
N/A	CHINA	POWER SUPPLY FOR ELECTROCHEMICAL ION EXCHANGE	Pionetics Corporation	App # not known -- (Halted, per Client)	8/28/2007	N/A
N/A	CHINA	ELECTROCHEMICAL ION EXCHANGE TREATMENT OF FLUIDS	Pionetics Corporation	(App. # not known) (New)	(F.A. to file by 06/06/08)	N/A
EP 1017482	EPO	ELECTROCHEMICALLY ASSISTED ION EXCHANGE	Pionetics Corporation	98902645.5-2113 (Issued)	8/13/1999	N/A
N/A	EPO	SELECTABLE ION CONCENTRATIONS WITH ELECTROLYTIC ION EXCHANGE	Pionetics Corporation	04779699.0 (Pending)	2/24/2006	05/31/2006 -- 1660408
N/A	EPO	ELECTROCHEMICAL ION EXCHANGE WITH TEXTURED MEMBRANES AND CARTRIDGE	Pionetics Corporation	05775536.5-2113 (Pending)	1/23/2007	04/04/2007 -- EP1768768A2
N/A	EPO	ELECTROCHEMICAL ION EXCHANGE TREATMENT OF FLUIDS	Pionetics Corporation	(App. # not known) (New)		N/A
98902645.5-2113	FRANCE	ELECTROCHEMICALLY ASSISTED ION EXCHANGE	Pionetics Corporation	98902645.5-2113 (Issued)	8/13/1999	N/A
98902645.5-2113	GERMANY	ELEKTROCHEMISCH UNTERSTÜTZTER IONENAUSTAUSCH	Pionetics Corporation	98902645.5-2113 (Issued)	8/13/1999	05/04/2006 -- DE69830662T2
98902645.5-2113	GREAT BRITAIN	ELECTROCHEMICALLY ASSISTED ION EXCHANGE	Pionetics Corporation	98902645.5-2113 (Issued)	8/13/1999	N/A
N/A	INDIA	SELECTABLE ION CONCENTRATIONS WITH ELECTROLYTIC ION EXCHANGE	Pionetics Corporation	264/KOLNP/2006 (Pending)	2/6/2006	N/A
N/A	INDIA	ELECTROCHEMICAL ION EXCHANGE WITH TEXTURED MEMBRANES AND CARTRIDGE	Pionetics Corporation	App # not known -- (Pending)	2/23/2007	N/A
N/A	INDIA	FLUID FLOW CONTROLLING VALVE HAVING SEAL WITH REDUCED LEAKAGE	Pionetics Corporation	2704/KOLNP/2007 (Pending)	7/23/2007	N/A
N/A	INDIA	POWER SUPPLY FOR ELECTROCHEMICAL ION EXCHANGE	Pionetics Corporation	2765/KOLNP/2007 (Halted, per Client)	7/27/2007	N/A
N/A	INDIA	ELECTROCHEMICAL ION EXCHANGE	Pionetics Corporation	(App. # not known) (New)	4/4/2008	N/A

		TREATMENT OF FLUIDS				
N/A	INDONESIA	ELECTROCHEMICAL ION EXCHANGE TREATMENT OF FLUIDS	Pionetics Corporation	(App. # not known) (New)	4/4/2008	N/A
98902645.5-2113	ITALY	ELECTROCHEMICALLY ASSISTED ION EXCHANGE	Pionetics Corporation	98902645.5-2113 (Issued)	8/13/1999	N/A
4044148	JAPAN	ELECTROCHEMICALLY ASSISTED ION EXCHANGE	Pionetics Corporation	10(1998)-532087 (Granted)	7/28/1999	07/10/2000 -- JP2001509074T2
N/A	JAPAN	SELECTABLE ION CONCENTRATIONS WITH ELECTROLYTIC ION EXCHANGE	Pionetics Corporation	2006-523214 (Pending)	2/8/2006	02/01/2007 -- 2007-501702
N/A	JAPAN	ELECTROCHEMICAL ION EXCHANGE WITH TEXTURED MEMBRANES AND CARTRIDGE	Pionetics Corporation	2007-523523765 (Pending)	1/26/2007	02/01/2007 -- JP2007 501702-2
10-1999-7006801	KOREA	ELECTROCHEMICALLY ASSISTED ION EXCHANGE	Pionetics Corporation	10-1999-7006801 (Issued)	7/28/1999	N/A
N/A	KOREA	SELECTABLE ION CONCENTRATIONS WITH ELECTROLYTIC ION EXCHANGE	Pionetics Corporation	2006-7002704 (Pending)	2/8/2006	05/29/2006 -- KR6058106A
N/A	KOREA	ELECTROCHEMICAL ION EXCHANGE WITH TEXTURED MEMBRANES AND CARTRIDGE	Pionetics Corporation	2007-7004572 (Pending)	5/21/2007	05/21/2007 -- 2007-0052285
N/A	KOREA	ELECTROCHEMICAL ION EXCHANGE TREATMENT OF FLUIDS	Pionetics Corporation	(App. # not known) (New)	(F.A. to file by 05/06/08)	N/A
N/A	TAIWAN	ELECTROCHEMICAL ION EXCHANGE WITH TEXTURED MEMBRANES AND CARTRIDGE	Pionetics Corporation	95127282 (Pending)	7/26/2006	05/17/2007 -- 200719508
N/A	TAIWAN	ELECTROCHEMICAL ION EXCHANGE TREATMENT OF FLUIDS	Pionetics Corporation	95137317 (Pending)	10/11/2006	N/A
N/A	US	ELECTROCHEMICALLY ASSISTED ION EXCHANGE	Pionetics Corporation	PCT/US1998/01062 (Done)	1/27/1998	07/03/1998 -- WO/1998/032525
N/A	US	SELECTABLE ION CONCENTRATIONS WITH ELECTROLYTIC ION EXCHANGE	Pionetics Corporation	PCT/US2004/24724 (Done)	7/30/2004	02/24/2004 -- WO2005/016831-A1
N/A	US	ELECTROCHEMICAL ION EXCHANGE WITH TEXTURED MEMBRANES AND CARTRIDGE	Pionetics Corporation	US2005/26617 (Done)	7/26/2005	02/09/2006 -- WO2006/015034-A2
N/A	US	FLUID FLOW CONTROLLING VALVE HAVING SEAL WITH REDUCED LEAKAGE	Pionetics Corporation	US2005/045254 (Done)	12/23/2005	06/07/2006 -- WO2006/071533 A1

N/A	US	POWER SUPPLY FOR ELECTROCHEMICAL ION EXCHANGE	Pionetics Corporation	US2005/045024 (Done)	12/28/2005	07/06/2006 -- WO2006/071513
5,788,826	US	ELECTROCHEMICALLY ASSISTED ION EXCHANGE	Pionetics Corporation	08/790,710 (Issued)	1/28/1997	08/04/1998 -- US5788826
7,344,629	US	SELECTABLE ION CONCENTRATIONS WITH ELECTROLYTIC ION EXCHANGE	Pionetics Corporation	10/637,186 (Issued)	8/8/2003	02/10/2005 -- US2005/0029124-A1
N/A	US	REGENERATION OF ELECTROLYTIC ION EXCHANGE CELLS	Pionetics Corporation	11/731,188 (Pending)	3/30/2007	08/02/2007 -- US2007/0175766
N/A	US	TEXTURED ION EXCHANGE MEMBRANES	Pionetics Corporation	10/900,256 (Pending)	7/26/2004	01/26/2006 -- US2006/0016685-A1
N/A	US	ELECTROCHEMICAL ION EXCHANGE WITH TEXTURED MEMBRANES AND CARTRIDGE	Pionetics Corporation	11/190,082 (Pending)	7/26/2005	02/01/2007 -- US2007/0023290-A1
N/A	US	FLUID FLOW CONTROLLING VALVE HAVING SEAL WITH REDUCED LEAKAGE	Pionetics Corporation	11/021,931 (Pending)	12/23/2004	06/29/2006 -- US2006/0137986-A1
N/A	US	POWER SUPPLY FOR ELECTROCHEMICAL ION EXCHANGE	Pionetics Corporation	11/024,521 (Halted, per Client)	12/28/2004	06/29/2006 -- US2006/0138997-A1
N/A	US	POWER SUPPLY FOR ELECTROCHEMICAL ION EXCHANGE	Pionetics Corporation	11/552,068 (Pending)	10/23/2006	05/21/2007 -- US2007/0120523-A1
N/A	US	TREATMENT OF FLUIDS TO CONTROL LEVELS OF IONS, PARTICULATES, AND MICROORGANISMS	Pionetics Corporation	60/724,456 (Converted)	10/6/2005	N/A
N/A	US	FLUID TREATMENT WITH ELECTROCHEMICAL ION EXCHANGE	Pionetics Corporation	60/696,038 (Converted)	7/1/2005	N/A
N/A	US	ELECTROCHEMICAL ION EXCHANGE TREATMENT OF FLUIDS	Pionetics Corporation	11/539,596 (Pending)	10/6/2006	05/17/2007 -- US2007/0108056-A1
N/A	US	ELECTROCHEMICAL ION EXCHANGE TREATMENT OF FLUIDS	Pionetics Corporation	US 2006/039297 (Done)	10/6/2006	04/19/2007 -- WO2007/044609-A1

## MARKS



Trademark	Current Owner of Record	Country	Status	Serial No./ Reg. No.	Filing Date/ Reg. Date
PIONETICS	Pionetics Corporation	US	(Registered)	76/438,474	8/12/2002
PIONETICS	Pionetics Corporation	CHINA	(New)	(App. # not known)	6/21/2006
PIONETICS	Pionetics Corporation	INDIA	(Pending)	1479076	8/14/2006
LINX	Pionetics Corporation	US	(Registered)	76/439,473	6/17/2003
LINX	Pionetics Corporation	CHINA1	(Pending)	5433420	6/21/2006
LINX	Pionetics Corporation	CHINA2	(Pending)	5433747	6/21/2006
LINX	Pionetics Corporation	CHINA3	(Pending)	5433746	6/21/2006
LINX	Pionetics Corporation	CHINA4	(Pending)	5433745	6/21/2006
LINX	Pionetics Corporation	INDIA	(Pending)	1479075	8/14/2006
DIAL-A-TASTE	Pionetics Corporation	US	(Registered)	76/541,775	8/25/2003
DIAL-A-TASTE	Pionetics Corporation	CHINA1	(Pending)	5433967	6/21/2006

DIAL-A-TASTE	Pionetics Corporation	CHINA2	(Pending)	5433744	6/21/2006
DIAL-A-TASTE	Pionetics Corporation	INDIA	(Pending)	1479077	8/14/2006
ELINX	Pionetics Corporation	CHINA1	(Pending)	5433428	6/21/2006
ELINX	Pionetics Corporation	CHINA2	(Pending)	5433427	6/21/2006
ELINX	Pionetics Corporation	CHINA3	(Pending)	5433426	6/21/2008
ELINX	Pionetics Corporation	CHINA4	(Pending)	5433425	6/21/2006

LOCATIONS OF EQUIPMENT AND INVENTORY

**[TO BE PROVIDED BY THE GRANTORS]**

<b>Borrower</b>	<b>Address</b>	<b>Qualified to do Business</b>
<b>Pionetics Corporation</b>	11726 San Vicente Boulevard Suite 300 Los Angeles, CA 90049	Yes
	4635 Ruffner Street San Diego, CA 92111	Yes
	151H Old County Road San Carlos, CA 94070	Yes

LOCATIONS OF BOOKS AND RECORDS

**[TO BE PROVIDED BY THE GRANTORS]**

<b>Borrower</b>	<b>Chief Executive Office</b>	<b>Location of Account Records and Chattel Paper</b>
<b>Pionetics Corporation</b>	11726 San Vicente Boulevard Suite 300 Los Angeles, CA 90049	11726 San Vicente Boulevard Suite 300 Los Angeles, CA 90049  4635 Ruffner Street San Diego, CA 92111  151H Old County Road San Carlos, CA 94070

SCHEDULE E

DEPOSIT ACCOUNTS, CERTAIN INVESTMENT PROPERTY AND LETTERS OF CREDIT

**[TO BE PROVIDED BY THE GRANTORS]**

1. Deposit Accounts

**Bank**

**Acct #**

**Acct Name**

2. Securities Accounts and Other Investment Property

Description of Asset  
None

Account No.

Name and Address of  
Institution Holding Account

3. Letters of Credit Issued for the Benefit of the Grantors  
None

SCHEDULE F

UCC FILING OFFICES AND STATE ORGANIZATIONAL IDENTIFICATION NUMBER

**[TO BE PROVIDED BY THE GRANTORS]**

Filing Office(s)

California

State Organizational  
Identification Number

C1926940

Legal and  
Operating Names

Pionetics Corporation