

ADVANCED WATER TREATMENT TECHNOLOGIES INC. SECURITY AGREEMENT

Advanced Water Treatment Technologies and affiliated dealers ("Seller") and the purchaser identified on the invoice ("Buyer") agree: Buyer has purchased certain property ("goods") and/or services from Seller, described on the invoice. Unless Buyer has paid for such goods and services in full, as indicated by Seller on the invoice, the following applies:

1. Buyer agree to pay Seller for everything Buyer purchases from Seller. Unless Buyer has a separate, written Retail Credit Plan and Security Agreement ("Retail Agreement") or a separate Commercial Credit Plan and Security Agreement ("Commercial Agreement") approved by Seller, Buyer will pay immediately in cash for the goods or services purchased. If Buyer has entered into a Retail Agreement or a Commercial Agreement with Seller, Buyer agrees that all goods purchased are for the uses specified on the Retail Agreement and/or Commercial Agreement between Seller and Buyer. If Buyer fails to pay timely in cash, they will be billed after the 25th of the month and payment in full will be due on or before the 15th day (20 days of the statement closing date in California) of the following month. Buyer hereby authorizes Seller to conduct an investigation of the Buyer's credit history or standing with other creditors. The terms of the Retail Agreement or Commercial Agreement are incorporated by this reference. If more than one person has signed, and/or otherwise entered into a Retail Agreement or a Commercial Agreement with Seller on behalf of Buyer, or has signed the reverse side hereof, all obligations will be joint and several. If any payment tendered by Buyer is returned to seller unpaid, Buyer agrees that his or her bank account may be debited electronically for both the face amount of the tendered payment and for a returned check fee in an amount as allowed by state law.
2. If the invoice hereof indicates that the purchase terms are "cash", "cash on delivery" or "COD", "in full on delivery", Buyers agrees to pay the full amount of the purchase price and any delivery charges in cash or certified funds upon delivery by Seller to the location specified by the Buyer. Seller shall have no obligation to release the goods to Buyer unless the purchase price is paid in full. Seller may release the goods to any agent of the Buyer at the delivery location.
3. If Buyer has an open account with Seller or Signed a Retail Agreement or Commercial Agreement, the following shall apply (in the event of any inconsistency between the following and the terms of the Retail Agreement or Commercial Agreement, the terms of the respective Retail Agreement or Commercial Agreement shall control and shall supersede the provisions hereof):
 - a. When Buyer has a balance due Seller, Seller will bill Buyer monthly, after the 25th day of each month for all previous unpaid purchases. The monthly statement will set forth Buyer's total unpaid new balance and minimum monthly payment, if applicable. All payments hereunder will be due on or before the 15th day (20 days of the statement closing date in California) of each month.
 - b. If Buyer pays the total new balance on Seller's monthly statement before Seller's next statement closing date, no **FINANCE CHARGE** will be added to the new balance. If Buyers does not pay the total unpaid balance before the closing date on Seller's next monthly statement, Seller will add a **FINANCE CHARGE** as follows: Seller will take the beginning balance of the account each day, including any remaining balance owing from prior invoices, add any new purchases or charges, and subtract any payment(s) or credit(s) (the "Daily Balance"). Seller will multiply the Daily Balance by a Daily periodic rate of 0.04931 percent (the "**DAILY FINANCE CHARGE**") which is an **ANNUAL PERCENTAGE RATE** OF 18 percent. Seller will each day add the **DAILY FINANCE CHARGE** to the account. The **MONTHLY FINANCE CHARGE** will be the sum of the **DAILY FINANCE CHARGES** that accrue during the billing cycle.
 - c. For accounts carried in all 56 states with the exception of California and Montana, and overseas, Buyer agrees to pay a late payment fee of \$15.00 (\$10.00 in California and Montana) for each minimum payment that is not made by Buyer within 10 days (15 days in Idaho) of the date upon which the payment is due.
 - d. Buyer's payments will be applied in accordance with the terms of Buyer's Retail Agreement or Commercial Agreement with Seller.
 - e. To secure all amounts now or hereafter owing to Seller, Buyer grants Seller a contractual purchase money security interest in all goods sold by Seller to Buyer, as specified in Buyer's retail Agreement, Commercial Agreement or this Security Agreement as applicable with Seller. This includes all accessories, parts, substitutions, and additions to these goods and all proceeds, including insurance proceeds to the fullest extent allowed by law. This Security interest shall continue in all goods, even if Buyer has previously paid for the goods in full, at any such time as Buyer has a balance owing. Buyer agrees to execute financing statements covering all property sold under this Security Agreement and to do any further acts and execute any other documents necessary or appropriate to establish and maintain a perfected and senior security interest. Seller may file copies of this Security Agreement as a financing statement.
 - f. If Buyer has a commercial Agreement with Seller, Buyer agrees that:
 - i. Until termination of this Agreement, Buyer must keep the goods insured with adequate casualty insurance against all expected risks to which the goods are exposed and those that Seller may reasonably designate;
 - ii. The Insurance policies referred to in (i) above must be acceptable to Seller;
 - iii. Buyer must comply with all laws affecting the goods, to pay all taxes and other assessments that may be levied against the goods, and not permit any other liens or security interests that are either prior or equal to the lien of this Security Agreement to attach to the goods.
 - g. If Buyer fails to perform as agreed, if Seller reasonably deems itself unsecured, or if Buyer is otherwise in default under Buyer's Retail Agreement, Commercial Agreement or this Security Agreement, Seller may take any action allowed under law, including without limitation:
 - i. Seller may declare everything Buyer owes immediately due and payable without further notice.
 - ii. Seller may take back any goods. Seller may enter Buyer's property without further permission from Buyer.
 - iii. Buyer agrees to pay all fees, costs and expenses of collections, and/or all fees, costs and expenses of repossessing the goods, selling them, and all fees, costs and expenses of any other efforts to collect what Buyer owes Seller to the fullest extent allowed under applicable law.
 - iv. Buyer agrees to pay Seller's attorney's fees, costs and expenses, whether or not there is a lawsuit, and Buyer agrees to pay Seller's attorney, court costs and expenses, both at trial and on appeal to the fullest extent allowed under applicable law. All such sums are secured by this Agreement.
 - h. All remedies shall be cumulative. Failure of Seller to exercise a remedy shall not waive that remedy. A waiver of default by Seller must be in writing to be effective.
 - i. Seller may change the terms of this Security Agreement, including but not limited to, the **FINANCE CHARGE** and the applicable **ANNUAL PERCENTAGE RATE OR RATES**, the method of computing the balance on which the **FINANCE CHARGE** is applied, the minimum monthly payment required, the closing date and length of the monthly billing cycle, by mailing a notice of change to Buyer as may then be required by applicable law.
4. Any claims for billing adjustment in connection with any invoices must be presented in accordance with the billing errors statement on the Buyer's Retail Agreement, Commercial Agreement or monthly billing statement as applicable, or if Buyer has not executed a Retail Agreement or Commercial Agreement, within sixty (60) days following the invoice date, in writing to the address of Seller set forth on the invoice hereof.