Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

2012

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A This return/report is for:
- [ ] a multiemployer plan;
- [ ] a multiple-employer plan; or
- [X] a single-employer plan;
- [ ] a DFE (specify) ____

B This return/report is:
- [ ] the first return/report;
- [ ] the final return/report;
- [ ] an amended return/report;
- [ ] a short plan year return/report (less than 12 months).

C If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

D Check box if filing under:
- [X] Form 5558;
- [ ] automatic extension;
- [ ] the DFVC program;
- [ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
APPLIED MEMBRANES INC. 401(K) PROFIT SHARING PLAN AND TRUST

1b Three-digit plan number (PN) ▶ 001

1c Effective date of plan 04/01/1987

2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan)

APPLIED MEMBRANES, INC.

2325 COUSTEAU COURT
VISTA, CA 92083

2b Employer Identification Number (EIN)
33-0157219

2c Sponsor's telephone number
760-727-0483

2d Business code (see instructions)
339900

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/15/2013	RICHARD YOUNGBERG
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional)

Preparer's telephone number (optional)

3a Plan administrator's name and address ☐ Same as Plan Sponsor Name ☐ Same as Plan Sponsor Address

APPLIED MEMBRANES, INC.

2325 COUSTEAU COURT
VISTA, CA 92083

3b Administrator's EIN
33-0157219

3c Administrator's telephone number
760-727-0483

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:

a Sponsor's name

4b EIN

4c PN

5	Total number of participants at the beginning of the plan year	**5**	142
6	Number of participants as of the end of the plan year (welfare plans complete only lines **6a, 6b, 6c,** and **6d**).		
a	Active participants	**6a**	129
b	Retired or separated participants receiving benefits	**6b**	0
c	Other retired or separated participants entitled to future benefits	**6c**	8
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	137
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	0
f	Total. Add lines **6d** and **6e**	**6f**	137
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	137
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	0
7	Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	**7**	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:
2E 2F 2G 2J 2K 2T 3D

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:

9a Plan funding arrangement (check all that apply)

(1)	X	Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

9b Plan benefit arrangement (check all that apply)

(1)	X	Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

(1)	X	**R** (Retirement Plan Information)
(2)		**MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
(3)		**SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

(1)	X		**H** (Financial Information)
(2)			**I** (Financial Information – Small Plan)
(3)	X	1	**A** (Insurance Information)
(4)	X		**C** (Service Provider Information)
(5)			**D** (DFE/Participating Plan Information)
(6)			**G** (Financial Transaction Schedules)

SCHEDULE A (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Insurance Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

▶ **File as an attachment to Form 5500.**

▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).

OMB No. 1210-0110

2012

This Form is Open to Public Inspection

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan
APPLIED MEMBRANES INC. 401(K) PROFIT SHARING PLAN AND TRUST

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
APPLIED MEMBRANES, INC.

D Employer Identification Number (EIN)
33-0157219

Part I **Information Concerning Insurance Contract Coverage, Fees, and Commissions** Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.

1 Coverage Information:

(a) Name of insurance carrier

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

(b) EIN	**(c)** NAIC code	**(d)** Contract or identification number	**(e)** Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	**(g)** To
06-1050034	93629	040652	137	01/01/2012	12/31/2012

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in line 3 the agents, brokers, and other persons in descending order of the amount paid.

(a) Total amount of commissions paid	**(b)** Total amount of fees paid
0	0

3 Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

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(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

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(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

4	Current value of plan's interest under this contract in the general account at year end	4	92766
5	Current value of plan's interest under this contract in separate accounts at year end	5	0

6 Contracts With Allocated Funds:

a State the basis of premium rates ▶

b	Premiums paid to carrier	6b	
c	Premiums due but unpaid at the end of the year	6c	
d	If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount.	6d	

Specify nature of costs ▶

e Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity

(3) ☐ other (specify) ▶

f If contract purchased, in whole or in part, to distribute benefits from a terminating plan check here ▶ ☐

7 Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)

a Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee

(3) ☐ guaranteed investment (4) ☒ other ▶ GUARANTEED GENERAL ACCOUNT CONTRACT

b	Balance at the end of the previous year			7b	107923
c	Additions: (1) Contributions deposited during the year	7c(1)	17695		
	(2) Dividends and credits	7c(2)			
	(3) Interest credited during the year	7c(3)	2279		
	(4) Transferred from separate account	7c(4)			
	(5) Other (specify below)	7c(5)	2177		
	▶ LOAN REPAYMENTS FORFEITURE CREDITS				
	(6) Total additions			7c(6)	22151
d	Total of balance and additions (add lines **7b** and **7c(6)**).			7d	130074
e	Deductions:				
	(1) Disbursed from fund to pay benefits or purchase annuities during year	7e(1)	31234		
	(2) Administration charge made by carrier	7e(2)	9		
	(3) Transferred to separate account	7e(3)			
	(4) Other (specify below)	7e(4)	6065		
	▶ LOAN INITIATIONS TRANSFERS OUT FORFEITURES DEBITS				
	(5) Total deductions			7e(5)	37308
f	Balance at the end of the current year (subtract line **7e(5)** from line **7d**)			7f	92766

Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organizations(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

8 Benefit and contract type (check all applicable boxes)

a ☐ Health (other than dental or vision) **b** ☐ Dental **c** ☐ Vision **d** ☐ Life insurance

e ☐ Temporary disability (accident and sickness) **f** ☐ Long-term disability **g** ☐ Supplemental unemployment **h** ☐ Prescription drug

i ☐ Stop loss (large deductible) **j** ☐ HMO contract **k** ☐ PPO contract **l** ☐ Indemnity contract

m ☐ Other (specify) ▶

9 Experience-rated contracts:				
a Premiums: (1) Amount received	**9a(1)**			
(2) Increase (decrease) in amount due but unpaid	**9a(2)**			
(3) Increase (decrease) in unearned premium reserve	**9a(3)**			
(4) Earned (**(1)** + **(2)** - **(3)**)			**9a(4)**	
b Benefit charges (1) Claims paid	**9b(1)**			
(2) Increase (decrease) in claim reserves	**9b(2)**			
(3) Incurred claims (add **(1)** and **(2)**)			**9b(3)**	
(4) Claims charged			**9b(4)**	
c Remainder of premium: (1) Retention charges (on an accrual basis) --				
(A) Commissions	**9c(1)(A)**			
(B) Administrative service or other fees	**9c(1)(B)**			
(C) Other specific acquisition costs	**9c(1)(C)**			
(D) Other expenses	**9c(1)(D)**			
(E) Taxes	**9c(1)(E)**			
(F) Charges for risks or other contingencies	**9c(1)(F)**			
(G) Other retention charges	**9c(1)(G)**			
(H) Total retention			**9c(1)(H)**	
(2) Dividends or retroactive rate refunds. (These amounts were ☐ paid in cash, or ☐ credited.)			**9c(2)**	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement			**9d(1)**	
(2) Claim reserves			**9d(2)**	
(3) Other reserves			**9d(3)**	
e Dividends or retroactive rate refunds due. (Do not include amount entered in line **9c(2)**.)			**9e**	
10 Nonexperience-rated contracts:				
a Total premiums or subscription charges paid to carrier			**10a**	
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, line 2 above, report amount.			**10b**	

Specify nature of costs ▶

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☒ No

12 If the answer to line 11 is "Yes," specify the information not provided. ▶

SCHEDULE C (Form 5500)	Service Provider Information	OMB No. 1210-0110
Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ **File as an attachment to Form 5500.**	**2012** **This Form is Open to Public Inspection.**

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan
APPLIED MEMBRANES INC. 401(K) PROFIT SHARING PLAN AND TRUST

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
APPLIED MEMBRANES, INC.

D Employer Identification Number (EIN)
33-0157219

Part I Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).. . . . . [X] Yes [ ] No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

PRUDENTIAL RETIREMENT INSURANCE AND

06-1050034

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

PRUDENTIAL RETIREMENT INSURANCE AND

06-1050034

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
37 50	NONE	100	Yes [X] No [ ]	Yes [X] No [ ]	0	Yes [X] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes [ ] No [ ]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes [ ] No [ ]	Yes [ ] No [ ]		Yes [ ] No [ ]

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received $1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
PRUDENTIAL RETIREMENT INSURANCE AND	15 64	0

(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
PRUDENTIAL RETIREMENT INSURANCE AND 06-1050034	45.000 BPS AND $0.00 PER PARTICIPANT INVESTED IN THE FUND FROM 1/1/2012 TO 12/31/2012 GUARANTEED INCOME FUND

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

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(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)

(complete as many entries as needed)

a	Name:	**b** EIN:
c	Position:	
d	Address:	**e** Telephone:

Explanation:

a	Name:	**b** EIN:
c	Position:	
d	Address:	**e** Telephone:

Explanation:

a	Name:	**b** EIN:
c	Position:	
d	Address:	**e** Telephone:

Explanation:

a	Name:	**b** EIN:
c	Position:	
d	Address:	**e** Telephone:

Explanation:

a	Name:	**b** EIN:
c	Position:	
d	Address:	**e** Telephone:

Explanation:

SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2012

This Form is Open to Public Inspection

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan
APPLIED MEMBRANES INC. 401(K) PROFIT SHARING PLAN AND TRUST

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
APPLIED MEMBRANES, INC.

D Employer Identification Number (EIN)
33-0157219

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	8168	0
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	892619	737548
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)	107923	92766
(15) Other	1c(15)		

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(1) Employer securities	1d(1)		
	(2) Employer real property	1d(2)		
e	Buildings and other property used in plan operation	1e		
f	Total assets (add all amounts in lines 1a through 1e)	1f	1008710	830314
	Liabilities			
g	Benefit claims payable	1g		
h	Operating payables	1h		
i	Acquisition indebtedness	1i		
j	Other liabilities	1j		
k	Total liabilities (add all amounts in lines 1g through1j)	1k	0	0
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	1008710	830314

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

	Income		(a) Amount	(b) Total
a	**Contributions:**			
	(1) Received or receivable in cash from: **(A)** Employers	2a(1)(A)	5795	
	(B) Participants	2a(1)(B)	59373	
	(C) Others (including rollovers)	2a(1)(C)		
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		65168
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
	(B) U.S. Government securities	2b(1)(B)		
	(C) Corporate debt instruments	2b(1)(C)		
	(D) Loans (other than to participants)	2b(1)(D)		
	(E) Participant loans	2b(1)(E)	451	
	(F) Other	2b(1)(F)	2279	
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		2730
	(2) Dividends: **(A)** Preferred stock	2b(2)(A)		
	(B) Common stock	2b(2)(B)		
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	9611	
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		9611
	(3) Rents	2b(3)		
	(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)		
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
	(C) Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result	2b(4)(C)		0
	(5) Unrealized appreciation (depreciation) of assets: **(A)** Real estate	2b(5)(A)		
	(B) Other	2b(5)(B)		
	(C) Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)**	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		111835
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		189344

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	365700	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines **2e(1)** through **(3)**	2e(4)		365700
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		1940
h Interest expense	2h		
i Administrative expenses: **(1)** Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)	100	
(5) Total administrative expenses. Add lines **2i(1)** through **(4)**	2i(5)		100
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		367740

Net Income and Reconciliation

k Net income (loss). Subtract line **2j** from line **2d**	2k		-178396
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) [ ] Unqualified **(2)** [ ] Qualified **(3)** [X] Disclaimer **(4)** [ ] Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [X] Yes [ ] No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: LEVITZACKS **(2)** EIN: 95-3159181

d The opinion of an independent qualified public accountant is **not attached** because:

(1) [ ] This form is filed for a CCT, PSA, or MTIA. **(2)** [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

		Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a	X		16600
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	4b		X	

			Yes	No	Amount
c	Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d	Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e	Was this plan covered by a fidelity bond?	4e	X		100000
f	Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g	Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h	Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i	Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j	Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k	Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l	Has the plan failed to provide any benefit when due under the plan?	4l		X	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If "Yes," enter the amount of any plan assets that reverted to the employer this year ☐ **Yes** ☒ **No** **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	**5b(2)** EIN(s)	**5b(3)** PN(s)

Part V Trust Information (optional)

6a Name of trust	**6b** Trust's EIN

SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Retirement Plan Information

This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2012

This Form is Open to Public Inspection.

For calendar plan year 2012 or fiscal plan year beginning 01/01/2012 and ending 12/31/2012

A Name of plan
APPLIED MEMBRANES INC. 401(K) PROFIT SHARING PLAN AND TRUST

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
APPLIED MEMBRANES, INC.

D Employer Identification Number (EIN)
33-0157219

Part I Distributions

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions **1** 0

2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):

EIN(s): 22-1211670

Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.

3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year. **3**

Part II Funding Information (If the plan is not subject to the minimum funding requirements of section of 412 of the Internal Revenue Code or ERISA section 302, skip this Part)

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

If the plan is a defined benefit plan, go to line 8.

5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.

6 **a** Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) **6a**

b Enter the amount contributed by the employer to the plan for this plan year **6b**

c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) **6c**

If you completed line 6c, skip lines 8 and 9.

7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

Part III Amendments

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. ..... ☐ **Increase** ☐ **Decrease** ☐ **Both** ☐ **No**

Part IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☐ **No**

11 **a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☐ **No**

b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☐ **No**

12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☐ **Yes** ☐ **No**

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

14 Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a	The current year	**14a**	
b	The plan year immediately preceding the current plan year	**14b**	
c	The second preceding plan year	**14c**	

15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a	The corresponding number for the plan year immediately preceding the current plan year	**15a**	
b	The corresponding number for the second preceding plan year	**15b**	

16 Information with respect to any employers who withdrew from the plan during the preceding plan year:

a	Enter the number of employers who withdrew during the preceding plan year	**16a**	
b	If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	**16b**	

17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

19 If the total number of participants is 1,000 or more, complete lines (a) through (c)

a Enter the percentage of plan assets held as:
Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate line 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

Applied Membranes, Inc. 401(k)
Profit Sharing Plan and Trust
Financial Statements and Supplementary Schedules
Years Ended December 31, 2012 and 2011

LEVITZACKS
CERTIFIED PUBLIC ACCOUNTANTS

THERESA M. DROUILLARD, CPA
MICHAEL C. FRIEDMAN, CPA
DANIEL I. LAVIS, MPA, CPA
VICTOR G. RAMSAUER, CPA
THOMAS E. REX, CPA
BRUCE A. STRUMLAUF, MS, CPA
KIM W. UFFORD, CPA, CCF, ABV, ASA

INDEPENDENT AUDITOR'S REPORT

To the Pension Plan Committee
Applied Membranes, Inc. 401(k)
Profit Sharing Plan and Trust

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Applied Membranes, Inc. 401(k) Profit Sharing Plan and Trust, which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 7, which was certified by Prudential Bank & Trust, FSB, the trustee of the Plan, and Prudential Retirement Insurance and Annuity Company, custodian, except for comparing the information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that Prudential Bank & Trust, FSB and Prudential Retirement Insurance and Annuity Company held the Plan's investment assets and executed investment transactions. The plan administrator has obtained certifications from the trustee and custodian as of and for the years ended December 31, 2012 and 2011, that the information provided to the plan administrator by the trustees is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

We were engaged for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of Assets (Held at End of Year) and Delinquent Participant Contributions, which are the responsibility of plan management, are presented for the purpose of additional analysis and are not a required part of the financial statements but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplemental schedules referred to above.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee and custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Levitz Zacks

October 15, 2013
San Diego, California

Applied Membranes, Inc.
401(k) Profit Sharing Plan and Trust
Statements of Net Assets Available for Benefits
December 31, 2012 and 2011

	2012	2011
Assets:		
Investments in shares of registered investment companies, at fair value	$ 737,548	$ 892,619
Investments in contract with insurance company, at fair value, which approximates contract value	92,766	107,923
Participant notes receivable	-	8,168
Participant contributions receivable	1,903	-
Company contributions receivable	216	-
Total assets	832,433	1,008,710
Liabilities:		
Excess contributions payable	19,631	-
Net assets available for benefits	$ 812,802	$ 1,008,710

See accompanying notes to financial statements.

Applied Membranes, Inc.
401(k) Savings Plan and Trust
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2012 and 2011

	2012	2011
Additions to net assets:		
Participant contributions	$ 50,744	$ 78,886
Company contributions	6,011	7,934
Interest income on participant notes receivable and investments in contract with insurance company	2,730	2,837
Net realized and unrealized gain (loss) in fair value of investments in shares of registered investment companies	111,835	(36,017)
Dividends	9,611	10,342
Total additions	180,931	63,982
Deductions from net assets:		
Benefits paid to participants	376,739	5,907
Administrative expenses	100	1,423
Total deductions	376,839	7,330
Net increase (decrease)	(195,908)	56,652
Net assets available for benefits:		
Beginning of year	1,008,710	952,058
End of year	$ 812,802	$ 1,008,710

See accompanying notes to financial statements.

Note 1. DESCRIPTION OF THE PLAN

The following description of Applied Membranes, Inc. (the "Company") 401(k) Profit Sharing Plan and Trust (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering all full-time employees of the Company who have completed three months of service and are age twenty-one or older. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Participants may contribute to the Plan up to 100% of their gross annual wages and other compensation, not to exceed the limits established by the Internal Revenue Code. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans (rollover). The Company may make discretionary matching or other contributions to the Plan.

Participant Accounts

Each participant's account is credited with the participant's contribution, the Company's matching contribution, an allocation of the Company's other contributions, and the earnings thereon. Allocations of the Company's contributions are based on participant contributions and compensation. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Participant Notes Receivable

Participants may borrow from their fund accounts an amount up to $50,000 or 50% of their vested account balance, whichever is less. Participant loans must be repaid within 5 years. However, if the loan is for the purchase of the participant's principal residence, the Administrator may permit a longer repayment term. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with the interest rate charged for commercial loans that would be made under similar circumstances. Interest rates ranged from 4.25% to 9.00% on the loans outstanding as of December 31, 2011. Principal and interest are paid through regular payroll deductions.

Note 1. DESCRIPTION OF THE PLAN (continued)

Vesting

Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the Company contributions portion of their accounts plus earnings thereon is based on years of continuous service. A participant is 100% vested after six years of credited service, attainment of normal retirement age, death or total and permanent disability.

Payment of Benefits

On termination of service due to any reason, a participant may elect to receive an amount equal to the value of the participant's vested interest in his or her account in a lump-sum amount. Participants may also request to receive a withdrawal for reasons of financial hardship. These hardship withdrawals cannot exceed the participant's elective deferral contributions plus actual earnings thereon. After making a hardship withdrawal, a participant is suspended from making contributions to the Plan for a period of six months.

Forfeited Accounts

Forfeited, non-vested account balances are used to reduce the Company's matching contributions.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting in conformity with the accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Shares of registered investment companies are valued at the net asset value of shares held by the Plan at year end. Income is recognized during the period in which it is earned.

Investment contracts are reported at fair value. However, contract value is the relevant measurement attribute for the portion of the net assets available for benefits attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. Accordingly, the guaranteed income fund is reported at fair value in the statement of net assets available for benefits with a separate adjustment to contract value to reflect the amount participants would receive under permitted transactions. Contract value approximated fair value at December 31, 2012 and 2011.

Participant Notes Receivable

Participant loans are classified as notes receivable from participants segregated from plan investments and reported at their unpaid principal balance plus any accrued but unpaid interest.

Payment of Benefits

Benefits are recorded when paid.

Corrective Distributions

Excess contributions returned to participants in order to satisfy the relevant nondiscrimination provisions of the Plan are recorded as deductions from net assets. Amounts unpaid at year end are included in the Plan's statement of net assets available for benefits as excess contributions payable.

Administrative Expenses

Substantially all expenses of maintaining the Plan are paid by the Company.

Note 3. FAIR VALUE MEASUREMENTS

The Plan's investments are reported at fair value in the accompanying statement of net assets available for benefits.

FASB ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Level 1 Fair Value Measurements

Fair values are based on publicly quoted prices in active markets for identical assets. The fair value of investments in registered investment companies is based on the publicly quoted net asset value of the shares held by the Plan at year-end.

Level 2 Fair Value Measurements

Fair values are based on observable inputs other than publicly quoted prices in active markets for identical assets that reflect assumptions market participants would use to price the asset based on market data obtained from sources independent of the Plan.

Level 3 Fair Value Measurement

Fair values are based on unobservable inputs that reflect the Plan's own assumptions about the assumptions market participants would use to price an asset based on the best information available in the circumstances. The fair value of investments in the guaranteed income fund is determined by the issuer based on the general interest rate environment.

Fair Value Measurements as of December 31, 2012 using:

	Fair Value	Level 1	Level 2	Level 3
Investments in shares of registered investment companies:				
Growth funds	$ 412,121	$ 412,121	$ -	$ -
Balanced funds	22,842	22,842	-	-
Bond funds	30,965	30,965	-	-
Fixed income funds	271,619	271,619	-	-
Investments in contract with insurance company	92,766	-	-	92,766
Total	$ 830,314	$ 737,548	$ -	$ 92,766

Note 3. FAIR VALUE MEASUREMENTS (continued)

Fair Value Measurements as of December 31, 2011 using:

	Fair Value	Level 1	Level 2	Level 3
Investments in shares of registered investment companies:				
Growth funds	$ 486,489	$ 486,489	$ -	$ -
Balanced funds	314,389	314,389	-	-
Bond funds	43,180	43,180	-	-
Fixed income funds	48,561	48,561	-	-
Investments in contract with insurance company	107,923		-	107,923
Total	$ 1,000,542	$ 892,619	$ -	$ 107,923

The following table provides further details of the Level 3 fair value measurements.

	Investments in contract with insurance company
Balance, December 31, 2010	$ 103,457
Investment interest income from contract with insurance company	2,713
Purchases	36,239
Settlements	(34,486)
Balance, December 31, 2011	107,923
Investment interest income from contract with insurance company	2,279
Purchases	19,872
Settlements	(37,308)
Balance, December 31, 2012	$ 92,766

Note 4. INVESTMENTS

The Plan's investments are held in a trustee-administered trust fund. Participants may direct their account balance to any combination of a variety of investment funds. The number of such funds and the type of investments therein may be changed at any time by the Plan. The following tables present the fair value of investments at December 31, 2012 and 2011. Investments that represent 5% or more of the Plan's net assets are separately identified.

Investments consist of the following as of December 31:

	2012
MFS Mass Investor Growth	$ 115,994
Invesco VK Amer Franch A	102,931
Guaranteed Income Fund	92,766
Oppenheimer Intl. Gr/A	90,484
Janus Enterprise FD S	88,850
MFS Value Fund A	65,994
Janus Worldwide Class S	59,887
Amer Cnt Equity Income/Adv	40,761
Other investments less than 5%	172,647
	$ 830,314

	2011
MFS Mass Investor Growth	$ 112,757
Guaranteed Income Fund	107,923
Invesco VK Amer Franch A	105,562
MFS Value Fund A	95,250
Oppenheimer Intl. Gr/A	90,896
Janus Enterprise FD S	85,242
Amer Cnt Equity Income/Adv	84,359
Janus Worldwide Class S	50,942
Janus Fund Class S	55,082
Other investments less than 5%	212,529
	$ 1,000,542

Note 5. INVESTMENT CONTRACT WITH INSURANCE COMPANY

The Plan entered into a fully benefit-responsive investment contract with Prudential Retirement Insurance and Annuity Company (Prudential) during 2009. Prudential maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. Prudential is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

As described in Note 2, because the guaranteed income fund is fully benefit-responsive, contract value is the relevant measurement attribute for the portion of the net assets available for benefits attributable to the guaranteed income fund. Contract value, as reported to the Plan by Prudential, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily withdraw or transfer all or a portion of their investment at contract value.

Interest is credited on the Plan's contract balance using a single portfolio rate approach. Under this methodology, a single interest crediting rate is applied to all contributions made to the guaranteed income fund regardless of the timing of those contributions. Interest crediting rates are reviewed by Prudential on a semi-annual basis for resetting. When establishing interest crediting rates for the guaranteed income fund, Prudential considers many factors, including current economic and market conditions, the general interest rate environment and both the expected and actual experience of a reference portfolio within the contract issuer's general account. These rates are established without the use of a specific formula. The minimum crediting rate under the contract is 1.50%.

There are no reserves against contract value for risk of the contract issuer or otherwise. Generally there are not any events that could limit the ability of the Plan to transact at contract value with the issuer. The funds are paid within 90 days from the date the Plan provides notice to discontinue, or in rare circumstances, over time.

The guaranteed income fund contract does not permit the insurance company to terminate the contract nor require the Plan to settle at an amount different than contract value paid either within 90 days or over time.

Note 5. INVESTMENT CONTRACT WITH INSURANCE COMPANY (continued)

Average yields:	2012
Based on actual earnings	2.10%
Based on interest rate credited to participants	2.10%

Average yields:	2011
Based on actual earnings	2.50%
Based on interest rate credited to participants	2.50%

Note 6. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to Schedule H of Form 5500:

	2012	2011
Net assets available for benefits per the financial statements	$ 812,802	$1,008,710
Participant contributions receivable	(1,903)	-
Company contributions receivable	(216)	-
Excess contributions payable	19,631	-
Net assets available for benefits per Schedule H of Form 5500	$ 830,314	$1,008,710

Note 6. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 (continued)

The following is a reconciliation of the change in net assets available for benefits per the financial statements to Schedule H of Form 5500 for the years ended December 31, 2012 and 2011:

	2012	2011
Net increase (decrease) per the financial statements	$ (195,908)	$ 56,652
Participant contributions receivable at beginning of year	-	1,847
Participant contributions receivable at end of year	(1,903)	-
Company contributions receivable at beginning of year	-	266
Company contributions receivable at end of year	(216)	-
Excess contributions payable at beginning of year	-	(10,361)
Excess contributions payable at end of year	19,631	-
Net increase (decrease) per Schedule H of Form 5500	$ (178,396)	$ 48,404

Note 7. INFORMATION PREPARED AND CERTIFIED BY PLAN TRUSTEE AND CUSTODIAN

The following information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified to as complete and accurate by Prudential Bank & Trust, FSB, the plan's trustee and Prudential Retirement Insurance and Annuity Company, custodian, for the years ended December 31, 2012 and 2011.

	2012	2011
Investments in shares of registered investment companies	$ 737,548	$ 892,619
Contract with insurance company	92,766	107,923
Participant notes receivable	-	8,168
Net realized and unrealized gain (loss) in fair value of investments in shares of registered investment companies	111,835	(36,017)
Interest income on contract with insurance company	2,279	2,713
Interest income on participant notes receivable	451	125
Dividends	9,611	10,342

Note 8. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts. Any unallocated assets of the Plan shall be allocated to participant accounts and distributed in such a manner as the Company may determine.

Note 9. TAX STATUS

The Plan is operated pursuant to a prototype plan sponsored by Prudential Retirement Insurance and Annuity Company. The Internal Revenue Service has determined and informed the trustee by letter dated March 31, 2008, that the prototype plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable provisions of the IRC.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability for an uncertain position if it is not more likely than not that the position would be sustained upon examination by the relevant taxing authority. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2009.

Note 10. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

Note 11. EXCESS CONTRIBUTIONS

Contributions received from participants for 2012 are net of payments of $10,532 made in 2013 to certain active participants to return their excess deferral contributions as required to satisfy the relevant nondiscrimination provisions of the Plan. That amount is also included in the Plan's statement of net assets available for benefits as excess contributions payable at December 31, 2012.

Benefits distributions for 2012 include $9,099 that are estimated to be made in 2013 to certain active participants to return to them excess deferral contributions in 2011 as required to satisfy the relevant nondiscrimination provision of the Plan. That amount is also included in the Plan's statement of net assets available for benefits as excess contributions payable at December 31, 2012.

Note 12. PARTY-IN-INTEREST

Certain expenses of the Plan are paid for by the Company. The Company is the sponsor of the Plan and, therefore, these transactions qualify as party-in-interest. Prudential Retirement Insurance and Annuity Company, as custodian and investment manager for the Plan's assets, disburses benefit payments and executes all investment transactions. As a result, all investment transactions involving the Guaranteed Income Fund sponsored by Prudential Retirement Insurance and Annuity Company qualify as party-in-interest transactions.

Note 13. SUBSEQUENT EVENTS

Subsequent events were evaluated for accrual and disclosure through October 15, 2013, which is the date the 2012 financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

Applied Membranes, Inc.
401(k) Profit Sharing Plan and Trust
Employer Identification Number 330157219
Plan Number 001
Schedule H, Line 4a-Schedule of Delinquent Participant Contributions
Year Ended December 31, 2012

Participant Contributions Transferred Late to Plan in 2011	$ 9,567
Participant Contributions Transferred Late to Plan in 2012	16,600
Total that Constitutes Nonexempt Prohibited Transactions	$ 26,167

RUN DATE: 01/07/13
CYCLE: 12DEC#B
PLAN NBR: 880184

PLAN NAME: APPLIED MEMBRANES , INC. 401(K)

PLAN SPONSOR EIN: 330157219

SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES FOR PLAN YEAR 2012

(a)	(b) IDENTITY OF ISSUE, BORROWER, LESSOR, OR SIMILAR PARTY	(c) DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR OR MATURITY VALUE	(d) COST	(e) CURRENT VALUE
*	PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY	GUARANTEED INCOME FUND	92,766	92,766
	PRUDENTIAL MUTUAL FUNDS	TEMP GLOBAL OPP A	228	259
	PRUDENTIAL MUTUAL FUNDS	FEDERATED MDT STK TRST SS	3,309	3,231
	PRUDENTIAL MUTUAL FUNDS	AMER CENT EQUITY INCOME	37,694	40,761
	PRUDENTIAL MUTUAL FUNDS	MFS VALUE FUND A	61,242	65,994
	PRUDENTIAL MUTUAL FUNDS	OPPEN INTNL GROW A	80,308	90,484
	PRUDENTIAL MUTUAL FUNDS	MFS MASS INVESTOR GROWTH	91,114	115,994
	PRUDENTIAL MUTUAL FUNDS	JANUS FUND CLASS S	27,634	38,334
	PRUDENTIAL MUTUAL FUNDS	JANUS ENTERPRISE FD S	53,417	88,850
	PRUDENTIAL MUTUAL FUNDS	JANUS WORLDWIDE CLASS S	42,245	59,887
	PRUDENTIAL MUTUAL FUNDS	INVESCO SMALL CAP VAL A	1,789	1,677
	PRUDENTIAL MUTUAL FUNDS	MASSACHUSETT INVEST TRUST	1,833	2,102
	PRUDENTIAL MUTUAL FUNDS	TEMPLETON FOREIGN FUND A	17,407	18,450
	PRUDENTIAL MUTUAL FUNDS	MFS BOND FUND A	17,407	20,180
	PRUDENTIAL MUTUAL FUNDS	VICTORY ESTABLISHED VALUE	14,459	17,481
	PRUDENTIAL MUTUAL FUNDS	FEDERATED US GOV 2-5 INST	9,056	8,862
	PRUDENTIAL MUTUAL FUNDS	FID ADV SMALL CAP T	36,587	37,305
	PRUDENTIAL MUTUAL FUNDS	FEDERATED HIGH YIELD TRUS	19,379	22,103
	PRUDENTIAL MUTUAL FUNDS	FEDERATED STR INC FD A	2,457	2,662
	PRUDENTIAL MUTUAL FUNDS	INVESCO AMER FRANCH A	103,875	102,931
	PARTICIPANT LOANS	4.25% - 9.00%	0	0

Applied Membranes, Inc. 401(k)
Profit Sharing Plan and Trust
Financial Statements and Supplementary Schedules
Years Ended December 31, 2012 and 2011

LEVITZACKS
CERTIFIED PUBLIC ACCOUNTANTS

THERESA M. DROUILLARD, CPA
MICHAEL C. FRIEDMAN, CPA
DANIEL I. LAVIS, MPA, CPA
VICTOR G. RAMSAUER, CPA
THOMAS E. REX, CPA
BRUCE A. STRUMLAUF, MS, CPA
KIM W. UFFORD, CPA, CCF, ABV, ASA

INDEPENDENT AUDITOR'S REPORT

To the Pension Plan Committee
Applied Membranes, Inc. 401(k)
Profit Sharing Plan and Trust

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Applied Membranes, Inc. 401(k) Profit Sharing Plan and Trust, which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 7, which was certified by Prudential Bank & Trust, FSB, the trustee of the Plan, and Prudential Retirement Insurance and Annuity Company, custodian, except for comparing the information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that Prudential Bank & Trust, FSB and Prudential Retirement Insurance and Annuity Company held the Plan's investment assets and executed investment transactions. The plan administrator has obtained certifications from the trustee and custodian as of and for the years ended December 31, 2012 and 2011, that the information provided to the plan administrator by the trustees is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

We were engaged for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of Assets (Held at End of Year) and Delinquent Participant Contributions, which are the responsibility of plan management, are presented for the purpose of additional analysis and are not a required part of the financial statements but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplemental schedules referred to above.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee and custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Levitz Zacks

October 15, 2013
San Diego, California

Applied Membranes, Inc.
401(k) Profit Sharing Plan and Trust
Statements of Net Assets Available for Benefits
December 31, 2012 and 2011

	2012	2011
Assets:		
Investments in shares of registered investment companies, at fair value	$ 737,548	$ 892,619
Investments in contract with insurance company, at fair value, which approximates contract value	92,766	107,923
Participant notes receivable	-	8,168
Participant contributions receivable	1,903	-
Company contributions receivable	216	-
Total assets	832,433	1,008,710
Liabilities:		
Excess contributions payable	19,631	-
Net assets available for benefits	$ 812,802	$ 1,008,710

See accompanying notes to financial statements.

Applied Membranes, Inc.
401(k) Savings Plan and Trust
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2012 and 2011

	2012	2011
Additions to net assets:		
Participant contributions	$ 50,744	$ 78,886
Company contributions	6,011	7,934
Interest income on participant notes receivable and investments in contract with insurance company	2,730	2,837
Net realized and unrealized gain (loss) in fair value of investments in shares of registered investment companies	111,835	(36,017)
Dividends	9,611	10,342
Total additions	180,931	63,982
Deductions from net assets:		
Benefits paid to participants	376,739	5,907
Administrative expenses	100	1,423
Total deductions	376,839	7,330
Net increase (decrease)	(195,908)	56,652
Net assets available for benefits:		
Beginning of year	1,008,710	952,058
End of year	$ 812,802	$ 1,008,710

See accompanying notes to financial statements.

Note 1. DESCRIPTION OF THE PLAN

The following description of Applied Membranes, Inc. (the "Company") 401(k) Profit Sharing Plan and Trust (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering all full-time employees of the Company who have completed three months of service and are age twenty-one or older. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Participants may contribute to the Plan up to 100% of their gross annual wages and other compensation, not to exceed the limits established by the Internal Revenue Code. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans (rollover). The Company may make discretionary matching or other contributions to the Plan.

Participant Accounts

Each participant's account is credited with the participant's contribution, the Company's matching contribution, an allocation of the Company's other contributions, and the earnings thereon. Allocations of the Company's contributions are based on participant contributions and compensation. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Participant Notes Receivable

Participants may borrow from their fund accounts an amount up to $50,000 or 50% of their vested account balance, whichever is less. Participant loans must be repaid within 5 years. However, if the loan is for the purchase of the participant's principal residence, the Administrator may permit a longer repayment term. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with the interest rate charged for commercial loans that would be made under similar circumstances. Interest rates ranged from 4.25% to 9.00% on the loans outstanding as of December 31, 2011. Principal and interest are paid through regular payroll deductions.

Note 1. DESCRIPTION OF THE PLAN (continued)

Vesting

Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the Company contributions portion of their accounts plus earnings thereon is based on years of continuous service. A participant is 100% vested after six years of credited service, attainment of normal retirement age, death or total and permanent disability.

Payment of Benefits

On termination of service due to any reason, a participant may elect to receive an amount equal to the value of the participant's vested interest in his or her account in a lump-sum amount. Participants may also request to receive a withdrawal for reasons of financial hardship. These hardship withdrawals cannot exceed the participant's elective deferral contributions plus actual earnings thereon. After making a hardship withdrawal, a participant is suspended from making contributions to the Plan for a period of six months.

Forfeited Accounts

Forfeited, non-vested account balances are used to reduce the Company's matching contributions.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting in conformity with the accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Shares of registered investment companies are valued at the net asset value of shares held by the Plan at year end. Income is recognized during the period in which it is earned.

Investment contracts are reported at fair value. However, contract value is the relevant measurement attribute for the portion of the net assets available for benefits attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. Accordingly, the guaranteed income fund is reported at fair value in the statement of net assets available for benefits with a separate adjustment to contract value to reflect the amount participants would receive under permitted transactions. Contract value approximated fair value at December 31, 2012 and 2011.

Participant Notes Receivable

Participant loans are classified as notes receivable from participants segregated from plan investments and reported at their unpaid principal balance plus any accrued but unpaid interest.

Payment of Benefits

Benefits are recorded when paid.

Corrective Distributions

Excess contributions returned to participants in order to satisfy the relevant nondiscrimination provisions of the Plan are recorded as deductions from net assets. Amounts unpaid at year end are included in the Plan's statement of net assets available for benefits as excess contributions payable.

Administrative Expenses

Substantially all expenses of maintaining the Plan are paid by the Company.

Note 3. FAIR VALUE MEASUREMENTS

The Plan's investments are reported at fair value in the accompanying statement of net assets available for benefits.

FASB ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Level 1 Fair Value Measurements

Fair values are based on publicly quoted prices in active markets for identical assets. The fair value of investments in registered investment companies is based on the publicly quoted net asset value of the shares held by the Plan at year-end.

Level 2 Fair Value Measurements

Fair values are based on observable inputs other than publicly quoted prices in active markets for identical assets that reflect assumptions market participants would use to price the asset based on market data obtained from sources independent of the Plan.

Level 3 Fair Value Measurement

Fair values are based on unobservable inputs that reflect the Plan's own assumptions about the assumptions market participants would use to price an asset based on the best information available in the circumstances. The fair value of investments in the guaranteed income fund is determined by the issuer based on the general interest rate environment.

Fair Value Measurements as of December 31, 2012 using:

	Fair Value	Level 1	Level 2	Level 3
Investments in shares of registered investment companies:				
Growth funds	$ 412,121	$ 412,121	$ -	$ -
Balanced funds	22,842	22,842	-	-
Bond funds	30,965	30,965	-	-
Fixed income funds	271,619	271,619	-	-
Investments in contract with insurance company	92,766	-	-	92,766
Total	$ 830,314	$ 737,548	$ -	$ 92,766

Note 3. FAIR VALUE MEASUREMENTS (continued)

Fair Value Measurements as of December 31, 2011 using:

	Fair Value	Level 1	Level 2	Level 3
Investments in shares of registered investment companies:				
Growth funds	$ 486,489	$ 486,489	$ -	$ -
Balanced funds	314,389	314,389	-	-
Bond funds	43,180	43,180	-	-
Fixed income funds	48,561	48,561	-	-
Investments in contract with insurance company	107,923		-	107,923
Total	$ 1,000,542	$ 892,619	$ -	$ 107,923

The following table provides further details of the Level 3 fair value measurements.

	Investments in contract with insurance company
Balance, December 31, 2010	$ 103,457
Investment interest income from contract with insurance company	2,713
Purchases	36,239
Settlements	(34,486)
Balance, December 31, 2011	107,923
Investment interest income from contract with insurance company	2,279
Purchases	19,872
Settlements	(37,308)
Balance, December 31, 2012	$ 92,766

Note 4. INVESTMENTS

The Plan's investments are held in a trustee-administered trust fund. Participants may direct their account balance to any combination of a variety of investment funds. The number of such funds and the type of investments therein may be changed at any time by the Plan. The following tables present the fair value of investments at December 31, 2012 and 2011. Investments that represent 5% or more of the Plan's net assets are separately identified.

Investments consist of the following as of December 31:

	2012
MFS Mass Investor Growth	$ 115,994
Invesco VK Amer Franch A	102,931
Guaranteed Income Fund	92,766
Oppenheimer Intl. Gr/A	90,484
Janus Enterprise FD S	88,850
MFS Value Fund A	65,994
Janus Worldwide Class S	59,887
Amer Cnt Equity Income/Adv	40,761
Other investments less than 5%	172,647
	$ 830,314

	2011
MFS Mass Investor Growth	$ 112,757
Guaranteed Income Fund	107,923
Invesco VK Amer Franch A	105,562
MFS Value Fund A	95,250
Oppenheimer Intl. Gr/A	90,896
Janus Enterprise FD S	85,242
Amer Cnt Equity Income/Adv	84,359
Janus Worldwide Class S	50,942
Janus Fund Class S	55,082
Other investments less than 5%	212,529
	$ 1,000,542

Note 5. INVESTMENT CONTRACT WITH INSURANCE COMPANY

The Plan entered into a fully benefit-responsive investment contract with Prudential Retirement Insurance and Annuity Company (Prudential) during 2009. Prudential maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. Prudential is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

As described in Note 2, because the guaranteed income fund is fully benefit-responsive, contract value is the relevant measurement attribute for the portion of the net assets available for benefits attributable to the guaranteed income fund. Contract value, as reported to the Plan by Prudential, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily withdraw or transfer all or a portion of their investment at contract value.

Interest is credited on the Plan's contract balance using a single portfolio rate approach. Under this methodology, a single interest crediting rate is applied to all contributions made to the guaranteed income fund regardless of the timing of those contributions. Interest crediting rates are reviewed by Prudential on a semi-annual basis for resetting. When establishing interest crediting rates for the guaranteed income fund, Prudential considers many factors, including current economic and market conditions, the general interest rate environment and both the expected and actual experience of a reference portfolio within the contract issuer's general account. These rates are established without the use of a specific formula. The minimum crediting rate under the contract is 1.50%.

There are no reserves against contract value for risk of the contract issuer or otherwise. Generally there are not any events that could limit the ability of the Plan to transact at contract value with the issuer. The funds are paid within 90 days from the date the Plan provides notice to discontinue, or in rare circumstances, over time.

The guaranteed income fund contract does not permit the insurance company to terminate the contract nor require the Plan to settle at an amount different than contract value paid either within 90 days or over time.

Note 5. INVESTMENT CONTRACT WITH INSURANCE COMPANY (continued)

Average yields:	2012
Based on actual earnings	2.10%
Based on interest rate credited to participants	2.10%

Average yields:	2011
Based on actual earnings	2.50%
Based on interest rate credited to participants	2.50%

Note 6. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to Schedule H of Form 5500:

	2012	2011
Net assets available for benefits per the financial statements	$ 812,802	$1,008,710
Participant contributions receivable	(1,903)	-
Company contributions receivable	(216)	-
Excess contributions payable	19,631	-
Net assets available for benefits per Schedule H of Form 5500	$ 830,314	$1,008,710

Note 6. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 (continued)

The following is a reconciliation of the change in net assets available for benefits per the financial statements to Schedule H of Form 5500 for the years ended December 31, 2012 and 2011:

	2012	2011
Net increase (decrease) per the financial statements	$ (195,908)	$ 56,652
Participant contributions receivable at beginning of year	-	1,847
Participant contributions receivable at end of year	(1,903)	-
Company contributions receivable at beginning of year	-	266
Company contributions receivable at end of year	(216)	-
Excess contributions payable at beginning of year	-	(10,361)
Excess contributions payable at end of year	19,631	-
Net increase (decrease) per Schedule H of Form 5500	$ (178,396)	$ 48,404

Note 7. INFORMATION PREPARED AND CERTIFIED BY PLAN TRUSTEE AND CUSTODIAN

The following information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified to as complete and accurate by Prudential Bank & Trust, FSB, the plan's trustee and Prudential Retirement Insurance and Annuity Company, custodian, for the years ended December 31, 2012 and 2011.

	2012	2011
Investments in shares of registered investment companies	$ 737,548	$ 892,619
Contract with insurance company	92,766	107,923
Participant notes receivable	-	8,168
Net realized and unrealized gain (loss) in fair value of investments in shares of registered investment companies	111,835	(36,017)
Interest income on contract with insurance company	2,279	2,713
Interest income on participant notes receivable	451	125
Dividends	9,611	10,342

Note 8. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts. Any unallocated assets of the Plan shall be allocated to participant accounts and distributed in such a manner as the Company may determine.

Note 9. TAX STATUS

The Plan is operated pursuant to a prototype plan sponsored by Prudential Retirement Insurance and Annuity Company. The Internal Revenue Service has determined and informed the trustee by letter dated March 31, 2008, that the prototype plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable provisions of the IRC.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability for an uncertain position if it is not more likely than not that the position would be sustained upon examination by the relevant taxing authority. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2009.

Note 10. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

Note 11. EXCESS CONTRIBUTIONS

Contributions received from participants for 2012 are net of payments of $10,532 made in 2013 to certain active participants to return their excess deferral contributions as required to satisfy the relevant nondiscrimination provisions of the Plan. That amount is also included in the Plan's statement of net assets available for benefits as excess contributions payable at December 31, 2012.

Benefits distributions for 2012 include $9,099 that are estimated to be made in 2013 to certain active participants to return to them excess deferral contributions in 2011 as required to satisfy the relevant nondiscrimination provision of the Plan. That amount is also included in the Plan's statement of net assets available for benefits as excess contributions payable at December 31, 2012.

Note 12. PARTY-IN-INTEREST

Certain expenses of the Plan are paid for by the Company. The Company is the sponsor of the Plan and, therefore, these transactions qualify as party-in-interest. Prudential Retirement Insurance and Annuity Company, as custodian and investment manager for the Plan's assets, disburses benefit payments and executes all investment transactions. As a result, all investment transactions involving the Guaranteed Income Fund sponsored by Prudential Retirement Insurance and Annuity Company qualify as party-in-interest transactions.

Note 13. SUBSEQUENT EVENTS

Subsequent events were evaluated for accrual and disclosure through October 15, 2013, which is the date the 2012 financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

Applied Membranes, Inc.
401(k) Profit Sharing Plan and Trust
Employer Identification Number 330157219
Plan Number 001
Schedule H, Line 4a-Schedule of Delinquent Participant Contributions
Year Ended December 31, 2012

Participant Contributions Transferred Late to Plan in 2011	$ 9,567
Participant Contributions Transferred Late to Plan in 2012	16,600
Total that Constitutes Nonexempt Prohibited Transactions	$ 26,167

RUN DATE: 01/07/13
CYCLE: 12DEC#B
PLAN NBR: 880184

PLAN NAME: APPLIED MEMBRANES , INC. 401(K)

PLAN SPONSOR EIN: 330157219

SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES FOR PLAN YEAR 2012

(a)	(b) IDENTITY OF ISSUE, BORROWER, LESSOR, OR SIMILAR PARTY	(c) DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR OR MATURITY VALUE	(d) COST	(e) CURRENT VALUE
*	PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY	GUARANTEED INCOME FUND	92,766	92,766
	PRUDENTIAL MUTUAL FUNDS	TEMP GLOBAL OPP A	228	259
	PRUDENTIAL MUTUAL FUNDS	FEDERATED MDT STK TRST SS	3,309	3,231
	PRUDENTIAL MUTUAL FUNDS	AMER CENT EQUITY INCOME	37,694	40,761
	PRUDENTIAL MUTUAL FUNDS	MFS VALUE FUND A	61,242	65,994
	PRUDENTIAL MUTUAL FUNDS	OPPEN INTNL GROW A	80,308	90,484
	PRUDENTIAL MUTUAL FUNDS	MFS MASS INVESTOR GROWTH	91,114	115,994
	PRUDENTIAL MUTUAL FUNDS	JANUS FUND CLASS S	27,634	38,334
	PRUDENTIAL MUTUAL FUNDS	JANUS ENTERPRISE FD S	53,417	88,850
	PRUDENTIAL MUTUAL FUNDS	JANUS WORLDWIDE CLASS S	42,245	59,887
	PRUDENTIAL MUTUAL FUNDS	INVESCO SMALL CAP VAL A	1,789	1,677
	PRUDENTIAL MUTUAL FUNDS	MASSACHUSETT INVEST TRUST	1,833	2,102
	PRUDENTIAL MUTUAL FUNDS	TEMPLETON FOREIGN FUND A	17,407	18,450
	PRUDENTIAL MUTUAL FUNDS	MFS BOND FUND A	17,407	20,180
	PRUDENTIAL MUTUAL FUNDS	VICTORY ESTABLISHED VALUE	14,459	17,481
	PRUDENTIAL MUTUAL FUNDS	FEDERATED US GOV 2-5 INST	9,056	8,862
	PRUDENTIAL MUTUAL FUNDS	FID ADV SMALL CAP T	36,587	37,305
	PRUDENTIAL MUTUAL FUNDS	FEDERATED HIGH YIELD TRUS	19,379	22,103
	PRUDENTIAL MUTUAL FUNDS	FEDERATED STR INC FD A	2,457	2,662
	PRUDENTIAL MUTUAL FUNDS	INVESCO AMER FRANCH A	103,875	102,931
	PARTICIPANT LOANS	4.25% - 9.00%	0	0

Applied Membranes, Inc. 401(k)
Profit Sharing Plan and Trust
Financial Statements and Supplementary Schedules
Years Ended December 31, 2012 and 2011

LEVITZACKS
CERTIFIED PUBLIC ACCOUNTANTS

THERESA M. DROUILLARD, CPA
MICHAEL C. FRIEDMAN, CPA
DANIEL I. LAVIS, MPA, CPA
VICTOR G. RAMSAUER, CPA
THOMAS E. REX, CPA
BRUCE A. STRUMLAUF, MS, CPA
KIM W. UFFORD, CPA, CCF, ABV, ASA

INDEPENDENT AUDITOR'S REPORT

To the Pension Plan Committee
Applied Membranes, Inc. 401(k)
Profit Sharing Plan and Trust

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Applied Membranes, Inc. 401(k) Profit Sharing Plan and Trust, which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 7, which was certified by Prudential Bank & Trust, FSB, the trustee of the Plan, and Prudential Retirement Insurance and Annuity Company, custodian, except for comparing the information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that Prudential Bank & Trust, FSB and Prudential Retirement Insurance and Annuity Company held the Plan's investment assets and executed investment transactions. The plan administrator has obtained certifications from the trustee and custodian as of and for the years ended December 31, 2012 and 2011, that the information provided to the plan administrator by the trustees is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

We were engaged for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of Assets (Held at End of Year) and Delinquent Participant Contributions, which are the responsibility of plan management, are presented for the purpose of additional analysis and are not a required part of the financial statements but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplemental schedules referred to above.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee and custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Levitz Zacks

October 15, 2013
San Diego, California

Applied Membranes, Inc.
401(k) Profit Sharing Plan and Trust
Statements of Net Assets Available for Benefits
December 31, 2012 and 2011

	2012	2011
Assets:		
Investments in shares of registered investment companies, at fair value	$ 737,548	$ 892,619
Investments in contract with insurance company, at fair value, which approximates contract value	92,766	107,923
Participant notes receivable	-	8,168
Participant contributions receivable	1,903	-
Company contributions receivable	216	-
Total assets	832,433	1,008,710
Liabilities:		
Excess contributions payable	19,631	-
Net assets available for benefits	$ 812,802	$ 1,008,710

See accompanying notes to financial statements.

Applied Membranes, Inc.
401(k) Savings Plan and Trust
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2012 and 2011

	2012	2011
Additions to net assets:		
Participant contributions	$ 50,744	$ 78,886
Company contributions	6,011	7,934
Interest income on participant notes receivable and investments in contract with insurance company	2,730	2,837
Net realized and unrealized gain (loss) in fair value of investments in shares of registered investment companies	111,835	(36,017)
Dividends	9,611	10,342
Total additions	180,931	63,982
Deductions from net assets:		
Benefits paid to participants	376,739	5,907
Administrative expenses	100	1,423
Total deductions	376,839	7,330
Net increase (decrease)	(195,908)	56,652
Net assets available for benefits:		
Beginning of year	1,008,710	952,058
End of year	$ 812,802	$ 1,008,710

See accompanying notes to financial statements.

Note 1. DESCRIPTION OF THE PLAN

The following description of Applied Membranes, Inc. (the "Company") 401(k) Profit Sharing Plan and Trust (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering all full-time employees of the Company who have completed three months of service and are age twenty-one or older. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Participants may contribute to the Plan up to 100% of their gross annual wages and other compensation, not to exceed the limits established by the Internal Revenue Code. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans (rollover). The Company may make discretionary matching or other contributions to the Plan.

Participant Accounts

Each participant's account is credited with the participant's contribution, the Company's matching contribution, an allocation of the Company's other contributions, and the earnings thereon. Allocations of the Company's contributions are based on participant contributions and compensation. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Participant Notes Receivable

Participants may borrow from their fund accounts an amount up to $50,000 or 50% of their vested account balance, whichever is less. Participant loans must be repaid within 5 years. However, if the loan is for the purchase of the participant's principal residence, the Administrator may permit a longer repayment term. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with the interest rate charged for commercial loans that would be made under similar circumstances. Interest rates ranged from 4.25% to 9.00% on the loans outstanding as of December 31, 2011. Principal and interest are paid through regular payroll deductions.

Note 1. DESCRIPTION OF THE PLAN (continued)

Vesting

Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the Company contributions portion of their accounts plus earnings thereon is based on years of continuous service. A participant is 100% vested after six years of credited service, attainment of normal retirement age, death or total and permanent disability.

Payment of Benefits

On termination of service due to any reason, a participant may elect to receive an amount equal to the value of the participant's vested interest in his or her account in a lump-sum amount. Participants may also request to receive a withdrawal for reasons of financial hardship. These hardship withdrawals cannot exceed the participant's elective deferral contributions plus actual earnings thereon. After making a hardship withdrawal, a participant is suspended from making contributions to the Plan for a period of six months.

Forfeited Accounts

Forfeited, non-vested account balances are used to reduce the Company's matching contributions.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting in conformity with the accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Shares of registered investment companies are valued at the net asset value of shares held by the Plan at year end. Income is recognized during the period in which it is earned.

Investment contracts are reported at fair value. However, contract value is the relevant measurement attribute for the portion of the net assets available for benefits attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. Accordingly, the guaranteed income fund is reported at fair value in the statement of net assets available for benefits with a separate adjustment to contract value to reflect the amount participants would receive under permitted transactions. Contract value approximated fair value at December 31, 2012 and 2011.

Participant Notes Receivable

Participant loans are classified as notes receivable from participants segregated from plan investments and reported at their unpaid principal balance plus any accrued but unpaid interest.

Payment of Benefits

Benefits are recorded when paid.

Corrective Distributions

Excess contributions returned to participants in order to satisfy the relevant nondiscrimination provisions of the Plan are recorded as deductions from net assets. Amounts unpaid at year end are included in the Plan's statement of net assets available for benefits as excess contributions payable.

Administrative Expenses

Substantially all expenses of maintaining the Plan are paid by the Company.

Note 3. FAIR VALUE MEASUREMENTS

The Plan's investments are reported at fair value in the accompanying statement of net assets available for benefits.

FASB ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Level 1 Fair Value Measurements

Fair values are based on publicly quoted prices in active markets for identical assets. The fair value of investments in registered investment companies is based on the publicly quoted net asset value of the shares held by the Plan at year-end.

Level 2 Fair Value Measurements

Fair values are based on observable inputs other than publicly quoted prices in active markets for identical assets that reflect assumptions market participants would use to price the asset based on market data obtained from sources independent of the Plan.

Level 3 Fair Value Measurement

Fair values are based on unobservable inputs that reflect the Plan's own assumptions about the assumptions market participants would use to price an asset based on the best information available in the circumstances. The fair value of investments in the guaranteed income fund is determined by the issuer based on the general interest rate environment.

Fair Value Measurements as of December 31, 2012 using:

	Fair Value	Level 1	Level 2	Level 3
Investments in shares of registered investment companies:				
Growth funds	$ 412,121	$ 412,121	$ -	$ -
Balanced funds	22,842	22,842	-	-
Bond funds	30,965	30,965	-	-
Fixed income funds	271,619	271,619	-	-
Investments in contract with insurance company	92,766	-	-	92,766
Total	$ 830,314	$ 737,548	$ -	$ 92,766

Note 3. FAIR VALUE MEASUREMENTS (continued)

Fair Value Measurements as of December 31, 2011 using:

	Fair Value	Level 1	Level 2	Level 3
Investments in shares of registered investment companies:				
Growth funds	$ 486,489	$ 486,489	$ -	$ -
Balanced funds	314,389	314,389	-	-
Bond funds	43,180	43,180	-	-
Fixed income funds	48,561	48,561	-	-
Investments in contract with insurance company	107,923		-	107,923
Total	$ 1,000,542	$ 892,619	$ -	$ 107,923

The following table provides further details of the Level 3 fair value measurements.

	Investments in contract with insurance company
Balance, December 31, 2010	$ 103,457
Investment interest income from contract with insurance company	2,713
Purchases	36,239
Settlements	(34,486)
Balance, December 31, 2011	107,923
Investment interest income from contract with insurance company	2,279
Purchases	19,872
Settlements	(37,308)
Balance, December 31, 2012	$ 92,766

Note 4. INVESTMENTS

The Plan's investments are held in a trustee-administered trust fund. Participants may direct their account balance to any combination of a variety of investment funds. The number of such funds and the type of investments therein may be changed at any time by the Plan. The following tables present the fair value of investments at December 31, 2012 and 2011. Investments that represent 5% or more of the Plan's net assets are separately identified.

Investments consist of the following as of December 31:

	2012
MFS Mass Investor Growth	$ 115,994
Invesco VK Amer Franch A	102,931
Guaranteed Income Fund	92,766
Oppenheimer Intl. Gr/A	90,484
Janus Enterprise FD S	88,850
MFS Value Fund A	65,994
Janus Worldwide Class S	59,887
Amer Cnt Equity Income/Adv	40,761
Other investments less than 5%	172,647
	$ 830,314

	2011
MFS Mass Investor Growth	$ 112,757
Guaranteed Income Fund	107,923
Invesco VK Amer Franch A	105,562
MFS Value Fund A	95,250
Oppenheimer Intl. Gr/A	90,896
Janus Enterprise FD S	85,242
Amer Cnt Equity Income/Adv	84,359
Janus Worldwide Class S	50,942
Janus Fund Class S	55,082
Other investments less than 5%	212,529
	$ 1,000,542

Note 5. INVESTMENT CONTRACT WITH INSURANCE COMPANY

The Plan entered into a fully benefit-responsive investment contract with Prudential Retirement Insurance and Annuity Company (Prudential) during 2009. Prudential maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. Prudential is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

As described in Note 2, because the guaranteed income fund is fully benefit-responsive, contract value is the relevant measurement attribute for the portion of the net assets available for benefits attributable to the guaranteed income fund. Contract value, as reported to the Plan by Prudential, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily withdraw or transfer all or a portion of their investment at contract value.

Interest is credited on the Plan's contract balance using a single portfolio rate approach. Under this methodology, a single interest crediting rate is applied to all contributions made to the guaranteed income fund regardless of the timing of those contributions. Interest crediting rates are reviewed by Prudential on a semi-annual basis for resetting. When establishing interest crediting rates for the guaranteed income fund, Prudential considers many factors, including current economic and market conditions, the general interest rate environment and both the expected and actual experience of a reference portfolio within the contract issuer's general account. These rates are established without the use of a specific formula. The minimum crediting rate under the contract is 1.50%.

There are no reserves against contract value for risk of the contract issuer or otherwise. Generally there are not any events that could limit the ability of the Plan to transact at contract value with the issuer. The funds are paid within 90 days from the date the Plan provides notice to discontinue, or in rare circumstances, over time.

The guaranteed income fund contract does not permit the insurance company to terminate the contract nor require the Plan to settle at an amount different than contract value paid either within 90 days or over time.

Note 5. INVESTMENT CONTRACT WITH INSURANCE COMPANY (continued)

Average yields:	2012
Based on actual earnings	2.10%
Based on interest rate credited to participants	2.10%

Average yields:	2011
Based on actual earnings	2.50%
Based on interest rate credited to participants	2.50%

Note 6. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to Schedule H of Form 5500:

	2012	2011
Net assets available for benefits per the financial statements	$ 812,802	$1,008,710
Participant contributions receivable	(1,903)	-
Company contributions receivable	(216)	-
Excess contributions payable	19,631	-
Net assets available for benefits per Schedule H of Form 5500	$ 830,314	$1,008,710

Note 6. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 (continued)

The following is a reconciliation of the change in net assets available for benefits per the financial statements to Schedule H of Form 5500 for the years ended December 31, 2012 and 2011:

	2012	2011
Net increase (decrease) per the financial statements	$ (195,908)	$ 56,652
Participant contributions receivable at beginning of year	-	1,847
Participant contributions receivable at end of year	(1,903)	-
Company contributions receivable at beginning of year	-	266
Company contributions receivable at end of year	(216)	-
Excess contributions payable at beginning of year	-	(10,361)
Excess contributions payable at end of year	19,631	-
Net increase (decrease) per Schedule H of Form 5500	$ (178,396)	$ 48,404

Note 7. INFORMATION PREPARED AND CERTIFIED BY PLAN TRUSTEE AND CUSTODIAN

The following information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified to as complete and accurate by Prudential Bank & Trust, FSB, the plan's trustee and Prudential Retirement Insurance and Annuity Company, custodian, for the years ended December 31, 2012 and 2011.

	2012	2011
Investments in shares of registered investment companies	$ 737,548	$ 892,619
Contract with insurance company	92,766	107,923
Participant notes receivable	-	8,168
Net realized and unrealized gain (loss) in fair value of investments in shares of registered investment companies	111,835	(36,017)
Interest income on contract with insurance company	2,279	2,713
Interest income on participant notes receivable	451	125
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Note 8. PLAN TERMINATION

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Note 9. TAX STATUS

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Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability for an uncertain position if it is not more likely than not that the position would be sustained upon examination by the relevant taxing authority. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2009.

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Note 11. EXCESS CONTRIBUTIONS

Contributions received from participants for 2012 are net of payments of $10,532 made in 2013 to certain active participants to return their excess deferral contributions as required to satisfy the relevant nondiscrimination provisions of the Plan. That amount is also included in the Plan's statement of net assets available for benefits as excess contributions payable at December 31, 2012.

Benefits distributions for 2012 include $9,099 that are estimated to be made in 2013 to certain active participants to return to them excess deferral contributions in 2011 as required to satisfy the relevant nondiscrimination provision of the Plan. That amount is also included in the Plan's statement of net assets available for benefits as excess contributions payable at December 31, 2012.

Note 12. PARTY-IN-INTEREST

Certain expenses of the Plan are paid for by the Company. The Company is the sponsor of the Plan and, therefore, these transactions qualify as party-in-interest. Prudential Retirement Insurance and Annuity Company, as custodian and investment manager for the Plan's assets, disburses benefit payments and executes all investment transactions. As a result, all investment transactions involving the Guaranteed Income Fund sponsored by Prudential Retirement Insurance and Annuity Company qualify as party-in-interest transactions.

Note 13. SUBSEQUENT EVENTS

Subsequent events were evaluated for accrual and disclosure through October 15, 2013, which is the date the 2012 financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

Applied Membranes, Inc.
401(k) Profit Sharing Plan and Trust
Employer Identification Number 330157219
Plan Number 001
Schedule H, Line 4a-Schedule of Delinquent Participant Contributions
Year Ended December 31, 2012

Participant Contributions Transferred Late to Plan in 2011	$ 9,567
Participant Contributions Transferred Late to Plan in 2012	16,600
Total that Constitutes Nonexempt Prohibited Transactions	$ 26,167

RUN DATE: 01/07/13
CYCLE: 12DEC#B
PLAN NBR: 880184

PLAN NAME: APPLIED MEMBRANES , INC. 401(K)

PLAN SPONSOR EIN: 330157219

SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES FOR PLAN YEAR 2012

(a)	(b) IDENTITY OF ISSUE, BORROWER, LESSOR, OR SIMILAR PARTY	(c) DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR OR MATURITY VALUE	(d) COST	(e) CURRENT VALUE
*	PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY	GUARANTEED INCOME FUND	92,766	92,766
	PRUDENTIAL MUTUAL FUNDS	TEMP GLOBAL OPP A	228	259
	PRUDENTIAL MUTUAL FUNDS	FEDERATED MDT STK TRST SS	3,309	3,231
	PRUDENTIAL MUTUAL FUNDS	AMER CENT EQUITY INCOME	37,694	40,761
	PRUDENTIAL MUTUAL FUNDS	MFS VALUE FUND A	61,242	65,994
	PRUDENTIAL MUTUAL FUNDS	OPPEN INTNL GROW A	80,308	90,484
	PRUDENTIAL MUTUAL FUNDS	MFS MASS INVESTOR GROWTH	91,114	115,994
	PRUDENTIAL MUTUAL FUNDS	JANUS FUND CLASS S	27,634	38,334
	PRUDENTIAL MUTUAL FUNDS	JANUS ENTERPRISE FD S	53,417	88,850
	PRUDENTIAL MUTUAL FUNDS	JANUS WORLDWIDE CLASS S	42,245	59,887
	PRUDENTIAL MUTUAL FUNDS	INVESCO SMALL CAP VAL A	1,789	1,677
	PRUDENTIAL MUTUAL FUNDS	MASSACHUSETT INVEST TRUST	1,833	2,102
	PRUDENTIAL MUTUAL FUNDS	TEMPLETON FOREIGN FUND A	17,407	18,450
	PRUDENTIAL MUTUAL FUNDS	MFS BOND FUND A	17,407	20,180
	PRUDENTIAL MUTUAL FUNDS	VICTORY ESTABLISHED VALUE	14,459	17,481
	PRUDENTIAL MUTUAL FUNDS	FEDERATED US GOV 2-5 INST	9,056	8,862
	PRUDENTIAL MUTUAL FUNDS	FID ADV SMALL CAP T	36,587	37,305
	PRUDENTIAL MUTUAL FUNDS	FEDERATED HIGH YIELD TRUS	19,379	22,103
	PRUDENTIAL MUTUAL FUNDS	FEDERATED STR INC FD A	2,457	2,662
	PRUDENTIAL MUTUAL FUNDS	INVESCO AMER FRANCH A	103,875	102,931
	PARTICIPANT LOANS	4.25% - 9.00%	0	0