



## PATENT SECURITY AGREEMENT

THIS PATENT SECURITY AGREEMENT, as of the 5th day of June, 1998 by FIBRED-MARYLAND, INC., a Maryland corporation (the "Patent Owner"), in favor of MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, a Maryland banking corporation (the "Bank" or the "Secured Party").

### RECITALS

1. The Bank has agreed to make a loan to the Patent Owner in an amount not to exceed Two Million Five Hundred Seventy-Six Thousand Two Hundred Eighty-Seven and 93/100 Dollars (\$2,576,287.93) (the "Loan"), pursuant to the terms and provisions of a Loan Agreement dated as of June 5, 1998 (the "Loan Agreement"), which Loan is evidenced by that certain Promissory Note dated as of June 5, 1998, in the principal amount of the Loan (the "Note").

2. The Patent Owner, a Maryland corporation (as successor by merger to Fibred, Inc., a Maryland corporation), having its principal offices at P.O. Box 3349, LaVale, Maryland 21504, is the owner of the entire right, title and interest in, to and under certain patents, and all divisions, renewals, continuations, continuations-in-part and reissues thereof, and all Letters Patent of the United States which have been and may be granted thereon and all reissues and extensions thereof, and all applications for patents which have been filed for the subject inventions in any countries foreign to the United States, and all patents which have been or may be granted for the subject inventions in any countries foreign to the United States and all extensions, renewals and reissues thereof, which are identified on the Schedule of Patent Rights annexed hereto and made a part hereof, hereinafter referred to as "Patent Rights"; and

3. The Patent Owner has agreed to assign and pledge the Patent Rights as security for the repayment of the Loan and the performance of its obligations under the Loan Agreement.

NOW, THEREFORE, in order to further secure payment of the Obligations (as defined in the Loan Agreement), the Patent Owner hereby creates in favor of and grants, pledges and assigns to the Secured Party, its successors, legal representatives and assigns, a lien and security interest in, to and under the Patent Rights and all divisions, renewals, continuations, continuations-in-parts and reissues thereof, all Letter Patent of the United States which may be granted thereon, all reissues and extensions thereof, and all applications for patents which may hereafter be filed for inventions in any country or countries foreign to the United States, and all patents which have been or may be granted for the inventions in any country or countries foreign to the United States and all extensions, renewals and reissues thereof, and the Patent Owner warrants and represents that the Patents are free and clear of all encumbrances to any third party (other than existing liens in favor of the Bank).

The Patent Owner hereby authorizes and requests the Commission of Patents and Trademarks of the United States, and officials of pertinent countries foreign to the United States whose duty it is to record ownership of patents, to record creation of this security interest to the Secured Party, its successors, legal representatives and assigns, in all issued patents and applications for the Patents listed in the annexed Schedule of Patent Rights in accordance with this instrument.

The Secured Party, its successors, legal representatives and assigns, agrees that upon payment by the Patent Owner of all sums due in respect of the Obligations, the Secured Party, its successors, legal representative and assigns shall execute such instruments evidencing discharge of the security interest created hereunder as the Patent Owner may reasonably request in order to record discharge of said security interest.


Upon the later of ninety (90) days after (a) the occurrence of an Event of Default as defined in the Loan Agreement, or (b) the date on which the Bank gives written notice to the applicable party of an event, which with the giving of notice or the passage of time would constitute an Event of Default under any Financing Document (as defined in the Loan Agreement), or the failure of the Patent Owner to pay or perform, any of its obligations under the Loan Agreement, the Note, or any other Financing Document, whether or not such event or failure constitute an Event of Default, the Secured Party, its successors, legal representatives and assigns may exercise all rights and remedies described therein or in any other Financing Document and all of its rights at law or in equity as may be available to it.


Acceptance hereof by the Bank is waived by the Patent Owner.

IN WITNESS WHEREOF, the Patent Owner has caused its corporate seal to be impressed hereon and the hands of its proper officers be subscribed hereto, as of the 5th day of June, 1998.

ATTEST:

FIBRED-MARYLAND, INC.

  
Tana Kim Alkire  
Secretary  
Glen M. Anderson, VP

By:   
Karen O. Sullivan  
President

STATE OF                    )  
                                  ) SS.:  
COUNTY OF                )

I HEREBY CERTIFY that on this \_\_\_\_ day of June, 1998, before me, a Notary Public for the State aforesaid, personally appeared KAREN O SULLIVAN, who acknowledged herself to be the President of Fibred-Maryland, Inc., a Maryland corporation, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that she executed the same for the purposes therein contained as the duly authorized officer of Fibred-Maryland, Inc..

WITNESS my hand and Notarial Seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:\_\_\_\_\_

## SCHEDULE OF PATENT RIGHTS

1. Process for Recovery of Cellulose  
U.S. Patent No. 5,057,334
2. Cellulose Food Product and Products Resulting Therefrom  
U.S. Patent No. 4,599,240
3. Process for Preparing Cellulose  
U.S. Patent No. 4,486,459
4. Process for Preparing Cellulose  
U.S. Patent No. 4,307,121

ABRAMOFF, NEUBERGER AND LINDER, LLP

ATTORNEYS AT LAW  
SUITE 800  
250 WEST PRATT STREET  
BALTIMORE, MARYLAND 21201

DAVID B. ABRAMOFF  
ANILKUMAR J. HOFFBERG  
YAAKOV S. NEUBERGER  
RITA A. LINDER  
RICHARD S. LEHMANN  
STEVEN M. ROSEN  
NANCY HAAS  
COUNSEL  
STEPHEN F. BISBEE

(410) 539-8300  
TELECOPIER (410) 539-8304

June 17, 1998

Commissioner of Patents and Trademarks  
Box Assignments  
Washington, D.C. 20231

Re: Fibred-Maryland, Inc.

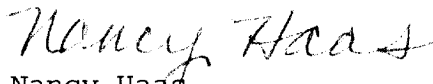
Dear Sir or Madam:

Enclosed for filing in the United States Patent and Trademark Office is the enclosed Patent Security Agreement with Recordation Form Cover Sheet for Fibred-Maryland, Inc.

A check in the amount of \$160 is enclosed to cover the filing fee.

Please stamp the enclosed copy of the Recordation Form Cover Sheet to indicate receipt for recording and return it to the undersigned in the enclosed self-addressed stamped envelope.

Very truly yours,

  
Nancy Haas

NH:cm

Enclosures

cc: Mr. T. O. Daly (w/enclosures)  
Glenn M. Anderson, Esquire (w/enclosures)  
Anilkumar J. Hoffberg, Esquire (w/o enclosures)

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