

SECURITY AGREEMENT IN PATENT

WHEREAS, Gary N. Estepp of Albuquerque, New Mexico, did obtain Letters of Patent from the United States for a Patent number 5,169,588, and all improvements thereon, which was assigned to Innovative Recycling Corporation by Assignment dated February 9, 1996; and

WHEREAS, Innovative Recycling Corporation represents and warrants that it is the sole owner of said Patent; and

WHEREAS, the Holder(s) of said Patent and Gary N. Estepp wish to induce Rhodes & Salmon, P.C., to provide credit for legal services and costs in the estimated amount of Sixty Thousand Dollars (\$60,000.00) and to represent the Owner of said Patent in legal proceedings pursuant to a legal fee agreement between Rhodes & Salmon, P.C. and Gary N. Estepp and Innovative Recycling Corporation and in consideration therefore, the holder(s) of said Patent have agreed to grant to Rhodes & Salmon, P.C. a security interest in said Patent as security for payment of full of said legal fees and costs.

NOW, THEREFORE, the parties agree as follows:

1) In consideration of Rhodes & Salmon, P.C. providing legal services in an estimated amount of \$60,000.00, and for other good and valuable consideration, receipt of which is acknowledged, Innovative Recycling Corporation and Gary N. Estepp do grant a security interest, effective August 1, 1998, to Rhodes & Salmon, P.C., whose address is 1801 Lomas Blvd., NW, Albuquerque, NM 87104, telephone number 505/247-0328, as security for payment of such legal fees and costs and interest on legal fees incurred at the rate of 15% per annum, in all of their entire right, title and interest in and to the following property, hereinafter referred to as the "Collateral":

the said Letters of Patent, Patent #
5,169,588, for the United States of America,
its territories and possessions, and for all
foreign countries, in said invention,
including said Patent application, and all
licensing royalties and fees, profits and

min\estepp\mortgage of patent

proceeds derived from said Patent to the full end of the term for which said Letters of Patent are granted or until the earlier payment in full of said Rhodes & Salmon, P.C. legal fees and costs and interest thereon.

2) Rhodes & Salmon, P.C. shall not have the right to assign this security interest to third parties prior to maturity or default. Until maturity or default, Innovative Recycling Corporation shall have all rights to operate, utilize, control and license said patent. In the event of default in payment of legal fees and costs due and owing to Rhodes & Salmon, P.C., Secured Party shall send notice of default to Innovative Recycling Corporation at 2618 Coors Road, SW, Albuquerque, NM 87121, Attention Gary N. Estepp, President, or to such other address as may be designated in writing and Innovative Recycling Corporation shall have thirty (30) days to cure said default before Rhodes & Salmon shall have the right to exercise ownership and control to said Patent and Collateral. Any notices to Rhodes & Salmon, P.C. shall be sent to the attention of Mark Rhodes at Rhodes & Salmon, P.C. at the address listed above. All notices shall be effective upon the date of mailing. If said default is not cured within said thirty (30) day period, Rhodes & Salmon, P.C. shall have all rights available to a Secured Party upon default under the Uniform Commercial Code under New Mexico law.

3) It is agreed that the undersigned shall be legally bound upon default or at maturity, upon request of the Secured Party or its successors or assigns or a legal representative thereof, to supply all information and evidence of which the undersigned has knowledge or possession, relating to the making and practice of said invention, to testify in any legal proceeding relating thereto, to execute all instruments proper to patent the invention in the United States of America and foreign countries in the name of the Secured Party, and to execute all instruments proper to carry out the intent of this instrument and to deliver all secured property to the Secured Party. If the undersigned includes more than one individual, these obligations shall apply to all of the undersigned both individually and collectively.

4) The rights and property herein conveyed by the undersigned are free and clear of any encumbrance except for lien(s) in an aggregate amount of no more than \$250,000.00 to the Bank of New Mexico and Debtor will defend the collateral against all claims of any other parties claiming an interest in the patent. This Security Agreement shall secure payment of the following, hereinafter referred to as the "Obligation":

all legal fees and costs and interest due and owing Secured Party from Debtor. This Security Agreement shall only secure the amount actually billed by Rhodes & Salmon, P.C. for legal services pursuant to the Fee Agreement between Debtors and Secured Party, which is incorporated herein by reference. Nothing in this Security Agreement shall vary the terms of said Fee Agreement.

5) Legal fees shall be paid pursuant to the Legal Fee Agreement between the parties, and it is further agreed that all of said legal fees, if not sooner paid, shall be paid in full no later than 120 days after the arbitration hearing on the merits is completed in the dispute with MTAE or one hundred and twenty (120) days from the date of execution of a Settlement Agreement by the parties to that dispute, or March 15, 1999, whichever occurs first. Upon payment of all legal fees and costs due and owing Rhodes & Salmon, P.C. and interest thereon at the rate of 15% per annum in full, Secured Party, Rhodes & Salmon, P.C., agrees to retransfer to Innovative Recycling Corporation or its assigns all right, title and interest in the aforesaid Patent and to execute a Release of this Security Interest.

6) It is further agreed that Secured Party is entitled to recover reasonable attorney's fees and costs necessary to enforce this Agreement and shall be indemnified by Debtor for any claims against Secured Party related to this Security Agreement.

7) Gary N. Estep is signing this Agreement for the purpose of granting a security interest in any residual interest he has in the aforesaid patent as he was the original patent holder.

8) Debtor shall be in default under this agreement upon the happening of any of the following events or conditions:

a) default in the payment or performance of any obligation, covenant or liability contained or referred to herein or the Fee Agreement;

b) any warranty, representation or statement made or furnished to Secured Party by or on behalf of Debtor proves to have been false in any material respect when made or furnished;

c) any event which results in the acceleration of the maturity of the indebtedness of Debtor to others under any indenture, agreement or undertaking;

d) loss, theft, damage, destruction, sale or encumbrance except as agreed between the parties in writing to or of any of the Collateral, or the making of any levy, seizure or attachments thereof or thereon;

e) death, dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceedings under any bankruptcy or insolvency laws by or against Debtor or any guarantor or surety for Debtor.

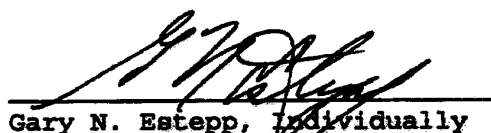
Upon such default and any time thereafter, or if it deems itself insecure, Secured Party may declare all Obligations secured hereby immediately due and payable and shall have the remedies of a secured party under the New Mexico Uniform Commercial Code. Secured Party may require Debtor to assemble the Collateral and deliver or make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will give Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage

prepaid, to the address of Debtor shown at the beginning of this agreement at least five (5) days before the time of the sale or disposition. Expenses or retaking, holding, preparing for sale, selling or the like shall include Secured Party's reasonable attorneys' fees and legal expenses.

No waiver by Secured Party of any default shall operate as a waiver of any other default or of the same default on a future occasion. The taking of this Security Agreement shall not waive or impair any other security said Secured Party may have or hereafter acquire for the payment of the above indebtedness, nor shall the taking of any such additional security waive or impair this Security Agreement; but said Secured Party may resort to any security it may have in the order it may deem proper, and not withstanding any collateral security, Secured Party shall retain its rights of set off against Debtor.

All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all promises and duties of Debtors shall bind their heirs, executors or administrators, successors or assigns.

Dated and executed this 30 day of ^{September}~~August~~, 1998, in Albuquerque, New Mexico.


Gary N. Estepp, Individually

Subscribed, acknowledged, and sworn to before me, a Notary Public, by Gary N. Estepp, Individually, this 30th day of September, 1998.


Notary Public Mark M. Rhodes

My Commission Expires:

2/99

INNOVATIVE RECYCLING CORPORATION
Debtor

By:

Gary N. Estepp
Gary N. Estepp, President

Subscribed, acknowledged, and sworn to before me, a Notary Public, by Gary N. Estepp as President of Innovative Recycling Corporation, a New Mexico Corporation, on its behalf, this 30th day of September, 1998.

Mark M. Rhodes
Notary Public Mark M Rhodes

My Commission Expires:

2/8/1999

RHODES & SALMON, P.C.
Secured Party

By:

Mark M. Rhodes
MARK M. RHODES, President

Subscribed, acknowledged, and sworn to before me, a Notary Public, by Mark M. Rhodes, as President of Rhodes & Salmon, P.C., a New Mexico professional corporation, on its behalf, this 30th day of September, 1998.

William C. Salmon
Notary Public

My Commission Expires:

2/8/99

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c) any event which results in the acceleration of the maturity of the indebtedness of Debtor to others under any indenture, agreement or undertaking;

d) loss, theft, damage, destruction, sale or encumbrance except as agreed between the parties in writing to or of any of the Collateral, or the making of any levy, seizure or attachments thereof or thereon;

e) death, dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceedings under any bankruptcy or insolvency laws by or against Debtor or any guarantor or surety for Debtor.

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prepaid, to the address of Debtor shown at the beginning of this agreement at least five (5) days before the time of the sale or disposition. Expenses or retaking, holding, preparing for sale, selling or the like shall include Secured Party's reasonable attorneys' fees and legal expenses.

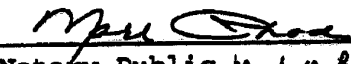
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Dated and executed this 30 day of ^{September}~~August~~, 1998, in Albuquerque, New Mexico.


Gary N. Estepp, Individually

Subscribed, acknowledged, and sworn to before me, a Notary Public, by Gary N. Estepp, Individually, this 30th day of September, 1998.


Notary Public Mark M. Rhodes

My Commission Expires:

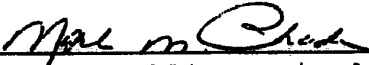
2/99

INNOVATIVE RECYCLING CORPORATION
Debtor

By: 

Gary N. Estepp, President

Subscribed, acknowledged, and sworn to before me, a Notary Public, by Gary N. Estepp as President of Innovative Recycling Corporation, a New Mexico Corporation, on its behalf, this 30th day of September, 1998.


Notary Public Mark M. Rhodes

My Commission Expires:

2/8/1999

RHODES & SALMON, P.C.
Secured Party

By: 

MARK M. RHODES, President

Subscribed, acknowledged, and sworn to before me, a Notary Public, by Mark M. Rhodes, as President of Rhodes & Salmon, P.C., a New Mexico professional corporation, on its behalf, this 30th day of September, 1998.


Notary Public

William R. Salmon

My Commission Expires:

2/8/99

**& RHODES
SALMON PC.**
ATTORNEYS AT LAW

RECEIVED

1999 FEB -2 PM 12:10

OPR/FINANCE

Mark M. Rhodes
William C. Salmon
Hazen H. Hammet

1801 LOMAS BOULEVARD N.W.
ALBUQUERQUE, NEW MEXICO 87104
(505) 247-0328
FAX (505) 766-9402

February 26, 1999

U.S. Patent and Trademark Office
Assignment Division
Box Assignments CG-4
1213 Jefferson Davis Hwy., Suite 320
Washington, D.C. 20231

Re: Document ID# 100861830
Security Agreement and Patent
held by Innovative Recycling Corporation
granted to Rhodes & Salmon PC

Dear Patent Office:

Pursuant to your letter of February 12, 1999 requiring that we attach a cover sheet to the Security Agreement, I have enclosed herewith the following:

1. Recordation Cover Sheet, which has been completed;
2. The original October 9, 1998 cover letter submitted to you with your notations thereon and a return self-addressed, stamped envelope;
3. The original Security Agreement and Patent previously forwarded with our October 9, 1998 letter and a copy thereof.

As noted on our October 9, 1998 cover letter you have acknowledged receipt of the \$40.00 recording fee previously forwarded. Assuming that the enclosures are acceptable in form, please arrange for recording and return to us a copy of the recorded Security Agreement to my attention.

Sincerely,


William C. Salmon

WCS:pas

Encls

PATENT
REEL: 9790 FRAME: 0405



UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
ASSISTANT SECRETARY AND COMMISSIONER
OF PATENTS AND TRADEMARKS
Washington, D.C. 20231

FEBRUARY 12, 1999

PTAS

RHODES & SALMON P.C., ATTORNEYS AT LAW
WILLIAM C. SALMON
1801 LOMAS BOULEVARD N.W.
ALBUQUERQUE, NEW MEXICO 87104



100861830A

UNITED STATES PATENT AND TRADEMARK OFFICE
NOTICE OF NON-RECORDATION OF DOCUMENT

DOCUMENT ID NO.: 100861830

THE ENCLOSED DOCUMENT HAS BEEN EXAMINED AND FOUND NON-RECORDABLE BY THE ASSIGNMENT DIVISION OF THE U.S. PATENT AND TRADEMARK OFFICE. THE REASON(S) FOR NON-RECORDATION ARE STATED BELOW. DOCUMENTS BEING RESUBMITTED FOR RECORDATION MUST BE ACCOMPANIED BY A NEW COVER SHEET REFLECTING THE CORRECT INFORMATION TO BE RECORDED AND THE DOCUMENT ID NUMBER REFERENCED ABOVE.

THE ORIGINAL DATE OF FILING OF THIS ASSIGNMENT DOCUMENT WILL BE MAINTAINED IF RESUBMITTED WITH THE APPROPRIATE CORRECTION(S) WITHIN 30 DAYS FROM THE DATE OF THIS NOTICE AS OUTLINED UNDER 37 CFR 3.51. THE RESUBMITTED DOCUMENT MUST INCLUDE A STAMP WITH THE OFFICIAL DATE OF RECEIPT UNDER 37 CFR 3. APPLICANTS MAY USE THE CERTIFIED PROCEDURES UNDER 37 CFR 1.8 OR 1.10 FOR RESUBMISSION OF THE RETURNED PAPERS, IF THEY DESIRE TO HAVE THE BENEFIT OF THE DATE OF DEPOSIT IN THE UNITED STATES POSTAL SERVICE.

SEND DOCUMENTS TO: U.S. PATENT AND TRADEMARK OFFICE, ASSIGNMENT DIVISION, BOX ASSIGNMENTS, CG-4, 1213 JEFFERSON DAVIS HWY, SUITE 320, WASHINGTON, D.C. 20231. IF YOU HAVE ANY QUESTIONS REGARDING THIS NOTICE, YOU MAY CONTACT THE INDIVIDUAL WHOSE NAME APPEARS ON THIS NOTICE AT 703-308-9723.

1. THE DOCUMENT SUBMITTED FOR RECORDING IS NOT ACCEPTABLE. TO RECORD A DOCUMENT IN THE ASSIGNMENT DIVISION, A COMPLETE COVER SHEET MUST ACCOMPANY THE DOCUMENT OR A COVER SHEET OUTLINING THE REQUIREMENTS FOR RECORDING AS SET FORTH IN TITLE 37 CFR 3.11 MUST BE

SHARMALLA SIMPSON, EXAMINER
ASSIGNMENT DIVISION
OFFICE OF PUBLIC RECORDS

RECORDED: 10/16/1998

PATENT
REEL: 9790 FRAME: 0406