

12-03-2002

RECORDATION FORM COVER SHEET
Patent and Trademark Office



To the Honorable Commissioner of Patents and Trademarks:

copy thereof.

1. Name of conveying party(ies):

11-22-02

102299369

receiving party(ies):

Frisby Technologies, Inc.

Name: DAMAD Holding AG

Internal Address:

Street Address: Lindenstrasse 14

City: Baar Country: Switzerland ZIP/POSTAL CODE: CH-6340

Additional name(s) of conveying party(ies) attached? Yes No

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Merger
- Change of Name
- Other

Execution Date: 10/2/02

4. Application number(s) or registration number(s)

If this document is being filed together with a new application, the execution date of the application is: _____

A. Patent Application No(s):

5,146,625; 5,224,356; 5,290,904; D346,063; 5,305,471; 5,366,801; 5,415,222; 5,484,448; 5,499,460; 5,623,772; 5,637,389; 5,804,297; 6,099,894; 6,171,647; 6,197,415; 6,270,836

B. Patent No.(s): 4,807,696; 4,911,232; 5,007,478; 5,141,079;

Additional numbers attached? Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

John M. Harrington, Esq.
Kilpatrick Stockton LLP
1001 West Fourth Street
Winston-Salem, North Carolina 27101

6. Total number of applications and registrations involved: 20

7. Total fee (37 CFR 3.41) \$ 800.00

- Enclosed
- Authorized any deficiencies to be charged to deposit account

8. Deposit account number: 16-1435

10/2/2002 DBYRNE 00000060 5146625
FC:8021 800.00 DP

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9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

John M. Harrington
Name of Person Signing

John M. Harrington
Signature

11/22/02
Date

Total number of pages comprising cover sheet: 9

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

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FINANCE SECTION

PATENT SECURITY AGREEMENT

PATENT SECURITY AGREEMENT dated as of October 2, 2002 (as amended, supplemented or otherwise modified, renewed or replaced from time to time, the "Patent Security Agreement") by and between FRISBY TECHNOLOGIES, INC., a Delaware corporation (the "Pledgor"), and DAMAD Holding AG, a corporation organized under the laws of Switzerland (the "Secured Party").

W I T N E S S E T H:

WHEREAS, the Pledgor now owns or holds and may hereafter acquire or hold Patents or Patent Licenses (defined as all of the following: all United States and foreign patents, patent applications, and licenses to use patents held or owned by others, to which a Pledgor has title or other interest therein, whether now existing or hereafter arising or acquired and all reissues, continuations, continuations-in-part or extensions thereof) including, without limitation, the Patents and Patent Licenses listed on Schedule A annexed hereto, as such Schedule may be amended from time to time by the addition of Patents or Patent Licenses subsequently arising or acquired;

WHEREAS, the Pledgor is a party to that certain Security Agreement effective as of January 10, 2002 (as the same may be amended, supplemented or otherwise modified, renewed or replaced from time to time, the "Security Agreement") between the Pledgor and the Secured Party, to which reference is made for definitions of capitalized terms used and not otherwise defined herein;

WHEREAS, pursuant to the terms of the Security Agreement, the Pledgor has granted to the Secured Party a security interest and lien in all of the Pledgor's rights, title and interest in and to Collateral, including any and all of Pledgor's general intangible property, which includes, without limitation, all patents and exclusive licenses (whether issued or pending); all processes and systems related thereto; any and all substitutes and replacements for, and accessions and other additions to; all cash or non-cash proceeds and products of, and any and all choses in action and causes of action of Pledgor, whether now existing or hereafter arising, relating directly or indirectly to the patents or exclusive licenses, to secure the payment and the performance of the Obligations.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledgor does, as security for the due and punctual payment and performance of the Obligations, hereby grant to the Secured Party a continuing security interest in all of the Pledgor's right, title and interest in, to and under the following (all of the following items or types of property, collectively, the "Patent Collateral"), whether now owned, presently existing or hereafter arising or acquired and whether or not in the possession of Pledgor:

- (i) each Patent, including, without limitation, each Patent listed on Schedule A annexed hereto, as such Schedule may be amended from time to time in accordance with the terms of this Patent Security Agreement;
- (ii) each Patent license including, without limitation, each Patent License listed on Schedule A annexed hereto, as such Schedule may be amended from time to time in accordance with the terms of this Patent Security Agreement; and
- (iii) all products and proceeds of, and income from, any of the foregoing, including, without limitation, any claim by any Pledgor against third persons for past, present or future infringement of any Patent or any Patent licensed under any Patent License.

The Pledgor agrees to deliver an updated copy of Schedule A to the Secured Party at the end of any quarter in which the Pledgor applies for the registration of, registers or otherwise acquires any Patent not listed on Schedule A or enters into any Patent License to be listed on Schedule A, as the case may be, and to duly and promptly execute and deliver, or have duly and promptly executed and delivered, at the cost and expense of the Pledgor, such further instruments or documents (in form and substance satisfactory to the Secured Party), and promptly perform, or cause to be promptly performed, any and all acts, in all cases, as may be necessary, proper or advisable from time to time, in the reasonable judgment of the Secured Party, to carry out the provisions and purposes of the Security Agreement and this Patent Security Agreement, and to provide, perfect and preserve the liens of the Secured Party under the Security Agreement, the Loan Agreement and other Loan Documents (as defined in the Loan Agreement), and this Patent Security Agreement, in the Patent Collateral or any portion thereof.

Upon the occurrence and during the continuance of an Event of Default, the Pledgor agrees that if any person shall do or perform any acts that the Secured Party believes constitute an infringement of any Patent which is the subject of this Patent Security Agreement, or violate or infringe any right of Pledgor or the Secured Party therein or if any person shall do or perform any acts that the Secured Party believes constitute an unauthorized or unlawful use thereof, then and in any such event, upon ten (10) days' prior written notice to Pledgor, the Secured Party may and shall have the right (but not the obligation) to take such steps and institute such suits or proceedings as the Secured Party may deem advisable or necessary to prevent such acts and conduct and to secure damages and other relief by reason thereof, and to generally take such steps as may be advisable or necessary or proper for the full protection of the rights of the parties. The Secured Party may take such steps or institute such suits or proceedings in its own name or in the name of the Pledgor or in the names of the parties jointly. The Secured Party hereby agrees to give the Pledgor notice of any steps taken, or any suits or proceedings instituted, by the Secured Party pursuant to this paragraph and the Pledgor agrees to assist the Secured Party with any steps

taken, or suits or proceedings instituted by the Secured Party pursuant to this paragraph at Pledgor's sole expense.

This security interest is granted in conjunction with the security interests granted to the Secured Party pursuant to the Security Agreement. The Pledgor does hereby further acknowledge and affirm that the rights and remedies of the Secured Party with respect to the security interest in the Patent Collateral made and granted hereby are subject to, and are more fully set forth in, the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

This Patent Security Agreement is made for collateral purposes only. At such time as all of the Obligations shall have been fully and indefeasibly paid and performed, the Secured Party shall execute and deliver to the Pledgor, at the Pledgor's expense, without representation, warranty or recourse, all releases and reassignments, termination statements and other instruments as may reasonably be requested in order to terminate the security interest of the Secured Party in the Patent Collateral, subject to any disposition thereof which may have been made by the Secured Party pursuant to the terms hereof or of the Security Agreement.

So long as no Event of Default shall have occurred and be continuing, and subject to the various provisions of the Security Agreement and the other Loan Documents to which it is a party, the Pledgor may use the Patent Collateral in any lawful manner.

Subject to the terms and conditions of the Security Agreement, the Loan Documents and the Note, the Secured Party agrees that there will be no assignment of the Patent Collateral, other than the security interest described herein, unless and until there shall occur an Event of Default and the Secured Party gives written notice to the Pledgor of its intention to enforce its rights against any of the Patent Collateral.

THIS PATENT SECURITY AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NORTH CAROLINA WHICH ARE APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED WHOLLY WITHIN SUCH STATE.

This Patent Security Agreement, and any modifications or amendments hereto may be executed in any number of counterparts, each of which when so executed and delivered shall constitute an original for all purposes, but all such counterparts taken together shall constitute but one and the same instrument.

All other capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Security Agreement, the Loan Agreement, the Note, or any of the other Loan Documents. Terms used but not otherwise defined herein or in the Security Agreement, the Loan Agreement, the Note, or any of the other Loan Documents

shall have, where appropriate, their respective definitions as set forth in the UCC as in effect in the State of North Carolina.

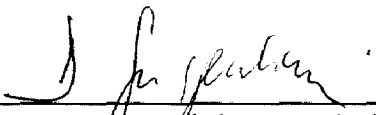
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SCHEDULE A**PATENTS OWNED OR LICENSED TO FRISBY TECHNOLOGIES, INC.**

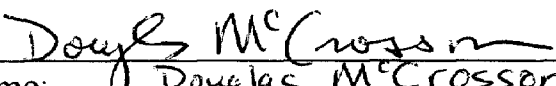
<u>Date of Patent</u>	<u>Patent Number</u>	<u>Description</u>	<u>Industry</u>	<u>Year of Expiration</u>
2/28/89	4,807,696	Thermal Energy Storage Apparatus Using Encapsulated PCMs.	Automotive, Aerospace, Electronics	2006
3/27/90	4,911,232	Heat Transfer Using MicroPCM Slurries	Automotive Computers, Electronics	2007
4/16/91	5,007,478	MicroPCM Slurry Heat Sink	Computers, Electronics	2008
8/25/92	5,141,079	Cutting/Cooling Fluid	All Industries	2009
9/15/92	5,146,625	Cooling Vest	All Industries	2009
7/6/93	5,224,356	Thermal Energy Absorbing and Conducting Potting Materials	Electronics	2010
3/1/94	5,290,904	Thermally Enhanced Heat Shields	Protective Apparel	2011
4/19/94	Des 346,063	Boot Warmer	Footwear	2011
4/26/94	5,305,471	Insulated Cooling Vest	All Industries	2011
11/22/94	5,366,801	Coated Fabric With Reversible Enhanced Properties	Protective Apparel	2011
5/16/95	5,415,222	Microclimate Cooling Garments	Protective Apparel	2012
1/16/96	5,484,448	Garment and Method for Cooling Body Temperature	All Industries	2013
3/19/96	5,499,460	Moldable Foam Insole with Reversible Enhanced Thermal Storage	Footwear	2013
3/21/96	5,623,772	Foot-Warming System for a Boot	Footwear	2013
6/10/97	5,637,389	Thermally Enhanced Foam Insulation	All Industries	2012
9/8/98	5,804,297	Thermal Insulating Coating Using MicroPCMs	All Industries	2011
8/8/00	6,099,894	Gel-Coated Microcapsules	All Industries	2018
1/9/01	6,171,647	Gel-Coated Microcapsules (Method Patent)	All Industries	2018

IN WITNESS WHEREOF, the parties hereto have caused this Patent Security Agreement to be duly executed as of the date first written above.

DAMAD HOLDING AG

By 
Name: Daniel Gugenheim
Title: *Vice Chairman of the Board*
Address: Lindenstrasse 14
CH - 6340 Baar
SWITZERLAND

FRISBY TECHNOLOGIES, INC.

By 
Name: Douglas McCrosson
Title: Secretary
Address: 3195 Centre Park Boulevard
Winston-Salem, Forsyth County, NC 27107

[Signature Page to Patent Security Agreement]

3/6/01	6,197,415	Gel-Coated Materials with Increased Flame Retardancy	All Industries	2019
8/7/01	6,270,836	Gel-Coated Microcapsules (Applications Patent)	All Industries	2018

STATE OF North Carolina

COUNTY OF Forsyth

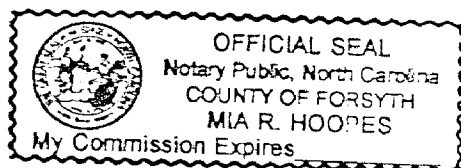
I, Mia R. Hoopes, a Notary Public of the County and State aforesaid, certify that Douglas Mc Crosson personally came before me this day and acknowledged that he is Secretary of Frisby Technologies, Inc., a Delaware Corporation, and that by authority duly given and as the act of the company, the foregoing instrument was signed in its name by said Secretary under seal.

WITNESS my hand and official stamp or seal, this 2nd day of October, 2002.

Mia R. Hoopes
Notary Public

My Commission Expires: 4/9/06

(Notary Public)



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