

03-10-2006

U.S. DEPARTMENT OF COMMERCE
United States Patent and Trademark Office



MRD 3/10/2006

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To the Director of the U.S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies)/Execution Date(s):

Magnetic Technologies Corporation

Execution Date(s) March 7, 2006

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

3. Nature of conveyance:

- ☐ Assignment ☐ Merger
☒ Security Agreement ☐ Change of Name
☐ Government Interest Assignment
☐ Executive Order 9424, Confirmatory License
☐ Other _____

2. Name and address of receiving party(ies)

Name: Freeport Financial LLC, as Agent

Internal Address: _____

Street Address: 500 West Monroe Street

Suite 1710

City: Chicago

State: Illinois

Country: USA Zip: 60661

Additional name(s) & address(es) attached? ☐ Yes ☒ No

4. Application or patent number(s):

☐ This document is being filed together with a new application.

A. Patent Application No.(s)

B. Patent No.(s)

6,850,140; 5,470,400; 5,180,445

Additional numbers attached? ☐ Yes ☒ No

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

Name: Holli Kubicki

Internal Address: Latham & Watkins, LLP

Suite 5800

Street Address: 233 South Wacker Drive

City: Chicago

State: IL Zip: 60606

Phone Number: 312-993-2638

Fax Number: 312-993-9870

Email Address: holli.kubicki@lw.com

6. Total number of applications and patents involved:

3

7. Total fee (37 CFR 1.21(h) & 3.41) \$ 120.00

- ☐ Authorized to be charged by credit card
☐ Authorized to be charged to deposit account
☒ Enclosed
☐ None required (government interest not affecting title)

8. Payment Information

a. Credit Card Last 4 Numbers _____
Expiration Date _____

b. Deposit Account Number _____

Authorized User Name _____

9. Signature:

03/13/2006 DBYRNE 00000004 6850140

Signature

3/9/2006

Date

01 FC:8021
02 FC:8023

120.00 OP
Holli Kubicki

Total number of pages including cover sheet, attachments, and documents:

6

Name of Person Signing

Documents to be recorded (including cover sheet) should be faxed to (703) 306-5995, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O.Box 1450, Alexandria, V.A. 22313-1450

PATENT SECURITY AGREEMENT

PATENT SECURITY AGREEMENT, dated as of March 7, 2006, by MAGNETIC TECHNOLOGIES CORPORATION, a Delaware corporation ("Grantor"), in favor of FREEPORT FINANCIAL LLC, a Delaware limited liability company, in its capacity as Agent for Lenders.

WITNESSETH:

WHEREAS, pursuant to that certain Credit Agreement dated as of the date hereof by and among Arnold Magnetic Technologies Corporation ("Arnold Magnetics"), Arnold Engineering Co. ("Arnold Engineering"), Grantor and Flexmag Industries, Inc. ("Flexmag") (Arnold Magnetics, Arnold Engineering, Grantor and Flexmag are collectively referred to herein as, the "Borrowers"), the other Persons named therein as Loan Parties, Agent and the Persons signatory thereto from time to time as Lenders (including all annexes, exhibits or schedules thereto, and as from time to time amended, restated, supplemented or otherwise modified, the "Credit Agreement"), Lenders have agreed to make the Loans and to incur Letter of Credit Obligations for the benefit of Borrowers and the other Loan Parties party thereto;

WHEREAS, Agent and Lenders are willing to make the Loans and to incur Letter of Credit Obligations as provided for in the Credit Agreement, but only upon the condition, among others, that Grantor shall have executed and delivered to Agent, for itself and the ratable benefit of Lenders, that certain Security Agreement dated as of the date herewith (including all annexes, exhibits or schedules thereto, as from time to time amended, restated, supplemented or otherwise modified, the "Security Agreement");

WHEREAS, pursuant to the Security Agreement, Grantor is required to execute and deliver to Agent, for itself and the ratable benefit of Lenders, this Patent Security Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor hereby agrees as follows:

1 DEFINED TERMS. All capitalized terms used but not otherwise defined herein have the meanings given to them in the Credit Agreement.

2 GRANT OF SECURITY INTEREST IN PATENT COLLATERAL. Grantor hereby grants to Agent, on behalf of itself and Lenders, a continuing first priority security interest in all of Grantor's right, title and interest in, to and under the following, whether presently existing or hereafter created or acquired (collectively, the "Patent Collateral"):

- (a) all of its Patents and Patent Licenses to which it is a party including those referred to on Schedule I hereto;
- (b) all reissues, continuations or extensions of the foregoing; and

(c) all products and proceeds of the foregoing, including, without limitation, any claim by Grantor against third parties for past, present or future infringement or dilution of any Patent or any Patent licensed under any Patent License; provided however, that notwithstanding any of the other provisions set forth herein, this Patent Security Agreement shall not constitute a grant of a security interest in any Patent or Patent License to the extent such grant of a security interest is prohibited by or constitutes a breach or default under any contract or License.

3 SECURITY AGREEMENT. The security interests granted pursuant to this Patent Security Agreement are granted in conjunction with the security interests granted to Agent, on behalf of itself and Lenders, pursuant to the Security Agreement. Grantor hereby acknowledges and affirms that the rights and remedies of Agent with respect to the security interest in the Patent Collateral made and granted hereby 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.

[signature page follows]

IN WITNESS WHEREOF, Grantor has caused this Patent Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

MAGNETIC TECHNOLOGIES CORPORATION, as
Grantor

By: Michael D. Kase
Name: MICHAEL D. KASE
Title: Controller

ACCEPTED AND ACKNOWLEDGED BY:
FREEPORT FINANCIAL LLC,
as Agent

By: _____
Name: _____
Title: _____

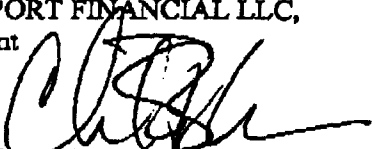
[Signature Page to Patent Security Agreement]

IN WITNESS WHEREOF, Grantor has caused this Patent Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

MAGNETIC TECHNOLOGIES CORPORATION, as
Grantor

By: _____
Name: _____
Title: _____

ACCEPTED AND ACKNOWLEDGED BY:
FREEPORT FINANCIAL LLC,
as Agent

By:  _____
Name: CHAD BRAVERMAN
Title: MANAGING DIRECTOR

[Signature Page to Patent Security Agreement]

SCHEDULE I
TO
PATENT SECURITY AGREEMENT
PATENT REGISTRATIONS

U.S. Patents

Owner	Country	Title	Applic. No.	Filing Date	Patent No.	Issue Date
Magnetic Technologies Corporation	U.S.	Layered magnets and methods for producing same	10/658,895	9/10/03	6,850,140	2/1/2005
Magnetic Technologies Corporation	U.S.	Rare earth anisotropic magnetic materials for polymer bonded magnets	08/251,455	5/31/94	5,470,400	11/28/95
Magnetic Technologies Corporation	U.S.	Magnetic materials	07/722,730	6/27/91	5,180,445	1/19/93