

PATENT ASSIGNMENT

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SUBMISSION TYPE:	NEW ASSIGNMENT						
NATURE OF CONVEYANCE:	LICENSE						
CONVEYING PARTY DATA							
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:70%;">Name</th> <th>Execution Date</th> </tr> </thead> <tbody> <tr> <td>Dennis Babcock</td> <td>05/28/2004</td> </tr> <tr> <td>Randal Lyon</td> <td>05/28/2004</td> </tr> </tbody> </table>		Name	Execution Date	Dennis Babcock	05/28/2004	Randal Lyon	05/28/2004
Name	Execution Date						
Dennis Babcock	05/28/2004						
Randal Lyon	05/28/2004						
RECEIVING PARTY DATA							
Name:	Arkan Development, L.L.C.						
Street Address:	14200 Brookline Court						
City:	Wichita						
State/Country:	KANSAS						
Postal Code:	67230						
PROPERTY NUMBERS Total: 1							
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:30%;">Property Type</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Patent Number:</td> <td>6581620</td> </tr> </tbody> </table>		Property Type	Number	Patent Number:	6581620		
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Patent Number:	6581620						
CORRESPONDENCE DATA							
Fax Number:	(316)945-2789						
<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>							
Phone:	3169458251						
Email:	KennethJack@DavisandJack.com						
Correspondent Name:	Kenneth H. Jack						
Address Line 1:	2121 West Maple						
Address Line 4:	Wichita, KANSAS 67213						
ATTORNEY DOCKET NUMBER:	BABCOCK/LYONS						
NAME OF SUBMITTER:	Kenneth H. Jack						

OP \$40.00 6581620

Total Attachments: 10
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EXCLUSIVE PATENT LICENSE AGREEMENT

THIS Agreement (AGREEMENT) is between Dennis Babcock, whose address is 1155 First St., Phillipsburg, KS 67661 and Randal Lyon, whose address is 211 County Rd., Phillipsburg, KS (LICENSORS), and Arkan Development, LLC. (LICENSEE), a limited liability company having its principal place of business located at 14200 Brookline Ct., Wichita, KS 67230.

RECITALS

- A. LICENSORS own certain PATENT RIGHTS (as defined below) and TECHNOLOGY RIGHTS (as defined below) related to LICENSED SUBJECT MATTER (as defined below), which were developed at Phillipsburg, Kansas.
- B. LICENSORS desire to have the LICENSED SUBJECT MATTER developed and used for the benefit of LICENSEE and the public in general.
- C. LICENSEE wishes to obtain a license from LICENSORS to manufacture and market LICENSED SUBJECT MATTER.

NOW, THEREFORE, in consideration of the mutual covenants and premises herein contained, the parties agree as follows:

1. EFFECTIVE DATE

This AGREEMENT is effective April 1, 2004 (EFFECTIVE DATE).

2. DEFINITIONS

As used in this AGREEMENT, the following terms have the meanings indicated:

2.1 **AFFILIATE** means any business entity more than 50% owned by LICENSEE, any business entity which owns more than 50% of LICENSEE, or any business entity that is more than 50% owned by a business entity that owns more than 50% of LICENSEE.

2.2 **LICENSED PRODUCT** means any product or service SOLD (as defined below) by LICENSEE comprising LICENSED SUBJECT MATTER pursuant to this AGREEMENT.

2.3 **LICENSED SUBJECT MATTER** means inventions, discoveries and processes covered by PATENT RIGHTS and/or TECHNOLOGY RIGHTS.

2.4 **NET SALES** means the gross revenues received by LICENSEE from the SALE of LICENSED PRODUCTS less sales and/or use taxes actually paid, import and/or export duties actually paid, outbound transportation prepaid or allowed, and amounts allowed or credited due to returns (not to exceed the original billing or invoice amount).

2.5 PATENT RIGHTS means LICENSORS' rights in information or discoveries covered in patent US 6,581,620 B2 titled Method and Apparatus for Repairing or Replacing Valves, whether domestic or foreign, and all divisionals, continuations, continuations-in-part, reissues, reexaminations or extensions thereof, and any letters patent that issue thereon, as defined in Exhibit 1 attached hereto.

2.6 SALE, SELL or SOLD means the transfer or disposition of a LICENSED PRODUCT for value to a party other than LICENSEE.

2.7 TECHNOLOGY RIGHTS means LICENSORS' rights in technical information, know-how, processes, procedures, compositions, devices, methods, formulas, protocols, techniques, software, designs, drawings or data created and owned by LICENSORS at Phillipsburg, Kansas before the EFFECTIVE DATE which are not covered by PATENT RIGHTS but which are necessary for practicing the PATENT RIGHTS.

2.8 COMMERCIALIZE means having SALES of LICENSED PRODUCTS.

2.9 ATTEMPTING TO COMMERCIALIZE means having SALES of LICENSED PRODUCTS or an effective, ongoing and active research, development, manufacturing, marketing or sales program as appropriate, directed toward obtaining regulatory approval, and/or production and/or SALES of LICENSED PRODUCTS.

3. WARRANTY: SUPERIOR-RIGHTS

3.1 LICENSORS represent and warrant (1) that they are the owners of the entire right, title, and interest in and to LICENSED SUBJECT MATTER, (2) that they have the sole right to grant licenses thereunder, and (3) that they have not knowingly granted licenses thereunder to any other entity that would restrict rights granted to LICENSEE except as stated herein.

3.2 LICENSEE understands and acknowledges that LICENSORS, by this AGREEMENT, make no representation as to the operability or fitness for any use, safety, efficacy, approvability by regulatory authorities, time and cost of development, patentability, and/or breadth of the LICENSED SUBJECT MATTER. LICENSORS, by this AGREEMENT, also make no representation as to whether there are any patents now held, or which will be held, by others or by LICENSORS which may be dominant or subordinate to PATENT RIGHTS, nor do LICENSORS make any representation that the inventions contained in PATENT RIGHTS do not infringe any other patents now held or that will be held by others or by LICENSORS.

3.3 LICENSEE, by execution hereof, acknowledges, covenants and agrees that it has not been induced in any way by LICENSORS to enter into this AGREEMENT, and further warrants and represents that (1) it has conducted sufficient due diligence with respect to all items and issues pertaining to this AGREEMENT and all other matters pertaining to this AGREEMENT; and (2) LICENSEE has adequate knowledge and expertise, or has utilized

knowledgeable and expert consultants, to adequately conduct the due diligence, and agrees to accept all risks inherent herein.

4. LICENSE

4.1 LICENSORS hereby grant to LICENSEE a royalty-bearing, exclusive license under LICENSED SUBJECT MATTER to manufacture, have manufactured, use and/or SELL LICENSED PRODUCTS. This grant is subject to the payment by LICENSEE to LICENSORS of all consideration as provided herein.

4.2 LICENSEE may extend the license granted herein to any AFFILIATE if the AFFILIATE consents in writing to be bound by this AGREEMENT to the same extent as LICENSEE. LICENSEE must deliver to LICENSORS a true and accurate copy of such written agreement, and any modification or termination thereof, within 30 days after execution, modification, or termination.

4.3 LICENSEE may grant sublicenses consistent with this AGREEMENT if LICENSEE is responsible for the operations of its sublicensees relevant to this AGREEMENT as if the operations were carried out by LICENSEE, including the payment of royalties whether or not paid to LICENSEE by a sublicensee. LICENSEE must deliver to LICENSORS a true and correct copy of each sublicense granted by LICENSEE, and any modification or termination thereof, within 30 days after execution, modification, or termination. When this AGREEMENT is terminated, LICENSORS agree to accept as successors to LICENSEE existing sublicensees in good standing at the date of termination, provided that the sublicensees consent in writing to be bound by all the terms and conditions of this AGREEMENT.

5. PAYMENTS AND REPORTS

5.1 In consideration of rights granted by LICENSORS to LICENSEE under this AGREEMENT, LICENSEE will pay LICENSORS, in equal shares, the following:

- a. a minimum yearly royalty of \$1,000.00 due and payable on January 1 of each year after EFFECTIVE DATE and creditable against royalties due under 5.1b for that year;
- b. a running royalty equal to 5% of NET SALES for LICENSED PRODUCTS;
- c. for out-of-pocket expenses incurred in filing, prosecuting, enforcing and maintaining PATENT RIGHTS for so long as this AGREEMENT remains in effect. LICENSORS will invoice LICENSEE within 30 days of the EFFECTIVE DATE and on a quarterly basis thereafter beginning for said expenses. The invoiced amounts will be due and payable by LICENSEE within 30 days; and

5.2 In the event of late payments to LICENSORS due under Article 5, a penalty

of 10% of the amount due will be assessed and due additionally from LICENSEE for each such late payment.

5.3 During the term of this AGREEMENT and for 1 year thereafter, LICENSEE agrees to keep complete and accurate records of its and its sublicensees' SALES and NET SALES under the license granted in this AGREEMENT in sufficient detail to enable the royalties payable hereunder to be determined. LICENSEE agrees to permit LICENSORS or its representatives, at LICENSORS' expense and with 14 days written notice, to periodically examine its books, ledgers, and records during regular business hours for the purpose of and to the extent necessary to verify any report required under this AGREEMENT. If the amounts due to LICENSORS are determined to have been underpaid, LICENSEE will pay all overdue amounts together with the penalty prescribed by Section 5.2.

5.4 Within 30 days after March 31, June 30, September 30, and December 31 of each year of the term of this AGREEMENT, beginning immediately after the EFFECTIVE DATE, LICENSEE must deliver to LICENSORS a true and accurate written report, even if no payments are due LICENSORS, giving the particulars of the business conducted by LICENSEE and its sublicensee(s), if any exist, during the preceding 3 calendar months under this AGREEMENT as are pertinent to calculating payments hereunder. This report will include at least:

- a. the total quantities of LICENSED PRODUCTS produced; and
- b. the total SALES by country, product, quantity and extended dollars SOLD, and the conversion factor determined as set forth in 5.6 below used to convert to United States dollars; and
- c. the calculation of royalties thereon; and
- d. the total royalties computed and due LICENSORS; and
- e. all other amount due LICENSORS herein.

Simultaneously with the delivery of each report, LICENSEE must pay to LICENSORS the amount, if any, due for the period of each report.

5.5 On or before each anniversary of the EFFECTIVE DATE, irrespective of having a first SALE or offer for SALE, LICENSEE must deliver to LICENSORS a written progress report as to LICENSEE's (and any sublicensee's) efforts and accomplishments during the preceding year in diligently commercializing LICENSED SUBJECT MATTER and LICENSEE's (and sublicensee's) commercialization plans for the upcoming year.

5.6 All amounts payable here by LICENSEE must be paid in United States dollars without deductions for taxes, assessments, fees, or charges of any kind. Royalties accruing on SALES in countries other than the United States must be paid in United States dollars in amounts based on the rate of exchange as

quoted in the Wall Street Journal (WSJ) as of the last business day of the reporting period. If the WSJ does not publish any such rate, a comparable rate publication will be agreed upon from time to time by the parties, and with respect to each country for which such rate is not published by the WSJ or in a comparable publication, the parties will use the prevailing rate for bank cable transfers for such date, as quoted by leading United States banks in New York City dealing in the foreign exchange market. Checks in equal amounts must be payable to each LICENSOR and sent to the here-to-fore specified address for each.

6. TERM AND TERMINATION

6.1 The term of this AGREEMENT is from the EFFECTIVE DATE to the full end of the term or terms for which PATENT RIGHTS have not expired or, if only TECHNOLOGY RIGHTS are licensed and no PATENT RIGHTS are applicable, for a period of 20 years.

6.2 Any time after 1 year from the EFFECTIVE DATE, LICENSORS have the right to terminate this license if LICENSEE, within 90 days after receiving written notice from LICENSORS of the intended termination, fails to provide written evidence to LICENSORS that LICENSEE or its sublicensee(s) has commercialized or is actively and effectively attempting to commercialize a licensed invention.

6.3 This AGREEMENT will earlier terminate:

a. automatically if LICENSEE becomes bankrupt or insolvent and/or if the business of LICENSEE is placed in the hands of a receiver, assignee, or trustee, whether by voluntary act of LICENSEE or otherwise; or

b. upon 30 days written notice from LICENSORS if LICENSEE breaches or defaults on its obligation to make payments (if any are due) or reports, in accordance with the terms of Article 5 hereunder, unless, before the end of the 30 day period, LICENSEE has cured the breach or default and so notifies LICENSORS, stating the manner of the cure; or

c. upon 90 days written notice if LICENSEE breaches or defaults on any other obligation under this AGREEMENT, unless, before the end of the 90 day period, LICENSEE has cured the breach or default and so notifies LICENSORS, stating the manner of the cure; or

d. at any time by mutual written agreement between LICENSEE and LICENSORS, upon 30 days written notice to all parties and subject to any terms herein which survive termination; or

e. under the provisions of Paragraph 6.2 if invoked.

6.4 If this AGREEMENT is terminated for any cause:

- a. nothing herein will be construed to release either party of any obligation matured prior to the effective date of the termination;
- b. after the effective date of the termination, LICENSEE will provide LICENSORS with a written inventory of all LICENSED PRODUCTS in process of manufacture, in use or in stock. LICENSEE may SELL any such LICENSED PRODUCTS within the 90 day period following such termination if it pays earned royalties thereon, and any other amount due pursuant to the terms of Article 5; and
- c. LICENSEE will be bound by the provisions of Articles 10 (Indemnification), 11 (Use of Name), and 12 (Confidential Information) of this AGREEMENT.

7. INFRINGEMENT BY THIRD PARTIES

7.1 LICENSEE, at its expense, may enforce any patent exclusively licensed hereunder against infringement by third parties, and it is entitled to retain recovery from such enforcement. LICENSEE must pay LICENSORS a royalty on any monetary recovery if the monetary recovery is for damages or a reasonable royalty in lieu thereof. If LICENSEE does not file suit against a substantial infringer of a patent within 6 months of knowledge thereof, then LICENSORS may enforce any patent licensed hereunder on behalf of itself and LICENSEE, LICENSORS retaining all recoveries from such enforcement.

7.2 In any infringement suit or dispute, the parties agree to cooperate fully with each other. At the request and expense of the party bringing suit, the other party will permit access to all relevant personnel, records, papers, information, samples, specimens, etc., during regular business hours.

8. ASSIGNMENT

Except in connection with the sale of substantially all of LICENSEE's assets to a third party, this AGREEMENT may not be assigned by LICENSEE without the prior written consent of LICENSORS, which will not be unreasonably withheld.

9. PATENT MARKING

LICENSEE must permanently and legibly mark all products, packaging and documentation manufactured or SOLD by it under this AGREEMENT with a patent notice as may be permitted or required under Title 35, United States Code.

10. INDEMNIFICATION

LICENSEE agrees to hold harmless and indemnify LICENSORS from and against any claims, demands, or causes of action whatsoever, including without limitation those arising on account of any injury or death of persons or damage to property caused by, or arising out of, or resulting from, the exercise or practice of

the license granted hereunder by LICENSEE, its AFFILIATES or their officers, employees, agents or representatives; provided, however, that LICENSEE shall not be obligated to indemnify LICENSORS from and against any claims, demands, or causes of action arising out of or resulting from defects in the design of the LICENSED SUBJECT MATTER.

11. USE OF NAME

LICENSEE may not use the name of LICENSORS without their express written consent.

12. CONFIDENTIAL INFORMATION

12.1 LICENSORS and LICENSEE each agree that all information forwarded to one by the other for the purposes of this AGREEMENT (1) are to be received in strict confidence, (2) are to be used only for the purposes of this AGREEMENT, and (3) are not to be disclosed by the recipient party, its agents or employees without the prior written consent of the other party, except to the extent that the recipient party can establish competent written proof that such information:

- a. was in the public domain at the time of disclosure;
- b. later became part of the public domain through no act or omission of the recipient party, its employees, agents, successors or assigns;
- c. was lawfully disclosed to the recipient party by a third party having the right to disclose it;
- d. was already known by the recipient party at the time of disclosure;
- e. was independently developed by the recipient; or
- f. is required by law or regulation to be disclosed, provided however, that the disclosing party shall first give the other party written notice and adequate opportunity to object to such order for disclosure or to request confidential treatment.

12.2 Information shall not be deemed to be available to the public or to be in the recipient's possession merely because it:

- a. includes information that falls within an area of general knowledge available to the public or to the recipient (i.e., it does not include the specific information provided by the other party); or
- b. can be reconstructed in hindsight from a combination of information from multiple sources that are available to the public or to the recipient, if not one of those sources actually taught or suggested the entire combination, together with its meaning and importance.

12.3 Each party's obligation of confidence hereunder shall be fulfilled by using at

least the same degree of care with the other party's confidential information as it uses to protect its own confidential information. This obligation shall exist while this AGREEMENT is in force and for a period of 3 years thereafter.

13 PATENTS AND INVENTIONS

If after consultation with LICENSEE, both parties agree that a patent application should be filed for modifications to LICENSED SUBJECT MATTER, LICENSORS will prepare and file the appropriate patent applications, and LICENSEE will pay the cost of searching, preparing, filing, prosecuting and maintaining same. If LICENSEE notifies LICENSORS that it does not intend to pay such costs, or if LICENSEE does not respond or make an effort to agree with LICENSORS on the disposition of rights in the subject modifications, then LICENSORS may file an application at its own expense and LICENSEE will have no rights to such modifications. LICENSORS shall retain the sole right to select the attorney responsible for filing, prosecution and maintenance of any patents based on technology invented by LICENSORS. LICENSORS will provide LICENSEE a copy of any patent application for which LICENSEE has paid the cost of filing, as well as copies of any documents received or filed with the respective patent office during the prosecution thereof.

14. GENERAL

14.1 This AGREEMENT constitutes the entire and only agreement between the parties for LICENSED SUBJECT MATTER and all other prior negotiations, representations, agreements, and understandings are superseded hereby. No agreements altering or supplementing the terms hereof may be made except by a written document signed by both parties.

14.2 Any notice required by this AGREEMENT must be given by facsimile transmission confirmed by personal delivery (including delivery by reputable messenger services such as Federal Express) or by prepaid, first class, certified mail, return receipt requested, addressed in the case of LICENSORS to:

Randal Lyon
211 County Rd.
Phillipsburg, KS 67661

and:

Dennis Babcock
1155 First St.
Phillipsburg, KS 67661

or in the case of LICENSEE to:

Arkan Development, LLC.
14200 Brookline Ct.
Wichita, KS 67230
ATTENTION: Gary L. Reed
Phone: 316-733-4798
Fax: 316-733-6398

or other addresses as may be given from time to time under the terms of this notice provision.

14.3 LICENSEE must comply with all applicable national, state and local laws and regulations in connection with its activities pursuant to this AGREEMENT.

14.4 This AGREEMENT will be construed and enforced in accordance with the laws of the United States of America and of the State of Kansas. The Kansas state courts of Sedgwick County, Kansas (or, if there is exclusive federal jurisdiction, the United States District Court for the District of Kansas) shall have exclusive jurisdiction and venue over any dispute arising out of this AGREEMENT, and the parties hereto hereby consent to the jurisdiction of such courts.

14.5 Failure of LICENSORS to enforce a right under this AGREEMENT will not act as a waiver of that right or the ability to later assert that right relative to the particular situation involved.

14.6 Headings are included herein for convenience only and shall not be used to construe this AGREEMENT.

14.7 If any part of this AGREEMENT is for any reason found to be unenforceable, all other parts nevertheless remain enforceable.

14.8 Neither party shall be held liable or responsible to the other party nor be deemed to have defaulted under or breached this AGREEMENT for failure or delay in fulfilling or performing any term of this AGREEMENT when such failure or delay is caused by or results from causes beyond the reasonable control of the affected party, including, without limitation, fire, floods, earthquakes, natural disasters, embargoes, war, acts of war (whether war be declared or not), insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, acts of God or acts, omissions or delays in acting by any governmental authority or the other party.

14.9 This AGREEMENT shall be binding upon, and inure to the benefit of, LICENSORS AND LICENSEE, and their respective heirs, successors, and assigns; provided, that no assignment of rights under this AGREEMENT shall be made by LICENSEE except to sublicensees in accordance with Section 4.3 hereof or to assignees pursuant to Article 6.

IN WITNESS WHEREOF, parties hereto have caused their duly authorized representatives to execute this AGREEMENT on the date indicated.

LICENSORS

LICENSEE

By *Dennis Babcock*
Dennis Babcock

By *Gary L. Reed*
Gary L. Reed, Manager

By *Randal Lyon*
Randal Lyon

Date *5/28/04*

Date *5/28/04*

EXHIBIT 1

PATENT RIGHTS

U.S. Patent Number US 6,581,620 B2, approved June 24, 2003, entitled "Method and Apparatus for Repairing or Replacing Valves".