

PATENT ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

SUBMISSION TYPE:

NEW ASSIGNMENT

NATURE OF CONVEYANCE:

SECURITY AGREEMENT

CONVEYING PARTY DATA

Name	Execution Date
Advanced Composite Materials, LLC	07/26/2006

RECEIVING PARTY DATA

Name:	The National Bank of South Carolina
Street Address:	201 E. McBee Avenue
City:	Greenville
State/Country:	SOUTH CAROLINA
Postal Code:	29601

PROPERTY NUMBERS Total: 9

Property Type	Number
Patent Number:	5656561
Patent Number:	5656217
Patent Number:	5389586
Patent Number:	5106702
Patent Number:	5095730
Patent Number:	5006417
Patent Number:	5002439
Patent Number:	4961757
Patent Number:	4789277

CORRESPONDENCE DATA

Fax Number: (864)240-2477

Correspondence will be sent via US Mail when the fax attempt is unsuccessful.

Phone: 864-240-2453

Email: tepting@LWTM.com

Correspondent Name: Thomas W. Epting

Address Line 1: P.O. Box 87

PATENT

REEL: 018171 FRAME: 0971

500144323

CH \$360.00 5656561

Address Line 4: Greenville, SOUTH CAROLINA 29602

ATTORNEY DOCKET NUMBER:

136902

NAME OF SUBMITTER:

Thomas W. Epting

Total Attachments: 7

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PATENT SECURITY AGREEMENT

Patent Security Agreement made July 26, 2006 (this "Agreement"), between **ADVANCED COMPOSITE MATERIALS, LLC**, a Delaware limited liability company ("Grantor") and **THE NATIONAL BANK OF SOUTH CAROLINA** ("Grantee").

RECITALS

A. Grantor desires to grant and Grantee desires to obtain a lien and security interest on the Patent Collateral (as defined below) as security for the obligations of Grantor (the "Obligations") under the Loan Agreement entered into between Grantor, Grantee and **ACMC Holding, Inc.** of even date (the "Loan Agreement"). All capitalized terms used herein but not otherwise defined herein shall have the meaning ascribed to such term in the Loan Agreement.

B. Grantee desires to have Grantee's lien and security interest in the Patent Collateral confirmed by a document identifying that security interest and in such form as may be recorded in the United States Patent and Trademark Office.

In consideration of the matters described above, and of the mutual benefits and obligations set forth in this agreement, the parties agree as follows:

ARTICLE ONE

ASSIGNMENT

In consideration of the Loans and for other good, valuable, and sufficient consideration, the receipt of which is acknowledged by Grantor, and to secure the Obligations, Grantor does now collaterally assign and grant to Grantee a lien and security interest in:

A. All of Grantor's right, title, and interest in and to (i) the United States Letters Patent and the inventions described and claimed in the same set forth on the attached Schedule A and any future patents (collectively, the "Patents"); (ii) the applications for Letters Patent and the inventions described and claimed in the same set forth on the attached Schedule A and any United States Letters Patent that may be issued on any of those applications and any future patent applications (collectively, the "Applications"); (iii) any reissue, extension, division, or continuation of the patents or the applications (such reissues, extensions, divisions, and continuations referred to collectively in this Agreement as the "Reissued Patents"); (iv) all future royalties or other fees paid or payment or payments made or to be made to Grantor in respect to the patents (the "Royalties"); and (v) proceeds of any and all of the foregoing (the "Proceeds"; the Patents, Applications, Reissued Patents, Royalties and Proceeds referred to collectively in this Agreement as the "Patent Rights"); and

B. All rights, interests, claims, and demands that Grantor has or may have in existing and future profits and damages for past and future infringements of the Patent Rights (such

rights, interest, claims, and demands referred to in this Agreement as the "Claims") (the Patent Rights and Claims collectively referred to as the "Patent Collateral").

ARTICLE TWO

GRANTOR'S WARRANTY

Grantor warrants and represents to Grantee that:

- A. Grantor is the true and lawful exclusive owner of the Patent Rights set forth on Schedule A, including all rights and interests granted in this Agreement;
- B. To the best of Grantor's knowledge, the Patent Collateral is valid and enforceable;
- C. Grantor has full power and authority to execute and deliver this Agreement;
- D. Grantor has no notice of any suits or actions commenced or threatened against Grantor, or notice of claims asserted or threatened against Grantor, with reference to the Patent Rights and the interests granted in this Agreement; and
- E. The Patent Rights and all interests granted in this Agreement are so granted free from all liens, charges, claims, options, licenses, pledges, and encumbrances of every kind and character.

ARTICLE THREE

GRANTOR'S FURTHER COVENANTS

Grantor further covenants that, until the Obligations have been satisfied in full, and without limiting Grantor's exclusive right to license the Patent Collateral in the ordinary course of business (each a "Permitted License," collectively, "Permitted Licenses"), Grantor will:

- A. Not enter into any agreement(s) including, but not limited to, license agreements, which are inconsistent with Grantor's obligations under this Agreement, without Grantee's prior written consent; and
- B. Maintain the Patent Collateral in full force and effect.

ARTICLE FOUR

USE OF PATENT RIGHTS, LICENSES

Unless and until there shall have occurred and be continuing an Event of Default under the Loan Agreement, and Grantee elects to exercise its rights under this Agreement (a "Triggering Event"), Grantor shall continue to have the exclusive right to use the Patent Rights and grant Permitted Licenses with respect to the Patent Collateral for Grantor's own benefit and account. Unless and until there shall have occurred a Triggering Event, Grantee shall have no right to use the Patent Rights or issue any exclusive or nonexclusive license with respect to the Patent Collateral, or assign, pledge, or otherwise transfer any interest in the Patent Rights to any other person.

ARTICLE FIVE

RESTRICTIONS ON SALE OR FURTHER ENCUMBRANCE

Without limiting Grantor's exclusive right to grant Permitted Licenses in the Patent Collateral, Grantor agrees not to sell, assign, or further encumber Grantor's rights and interests in the Patent Collateral without prior written consent of Grantee.

ARTICLE SIX

GRANTEE'S RIGHTS ON DEFAULT

A. Upon the occurrence of a Triggering Event, Grantee, as the holder of a security interest under the Uniform Commercial Code as now or later in effect in any applicable jurisdiction in which the Patent Collateral may be located, may take such action as is permitted by law or equity, in Grantee's sole discretion, to foreclose on or otherwise realize on the Patent Collateral covered by this Agreement. Grantee shall apply the residue of the proceeds of sale or other disposition of the Patent Collateral toward the payment of the Obligations. Subject to the terms of the Intercreditor Agreement (as defined in the Loan Agreement), any remainder of the proceeds after payment in full of the Obligations shall be paid over to the Grantor. Notice of any sale or other disposition of the Patent Collateral shall be given to the Grantor at least ten (10) days before the time of any intended public or private sale or other disposition of the Patent Collateral is to be made. At any such sale or other disposition, any holder of any Note (as defined in the Loan Agreement) may, to the extent permissible under applicable law, purchase the whole or any part of the Patent Collateral sold, free from any right to redemption on the part of Grantor, which right is hereby waived and released.

B. For the purposes of this Article, Grantor authorizes and empowers Grantee to make, constitute, and appoint any officer or agent of Grantee as Grantee may select in Grantee's sole discretion, as Grantor's true and lawful attorney-in-fact with the power to endorse Grantor's

name on the file of record, all assignments, applications, documents, papers, and instruments, whether signed by Grantor or by Grantee on Grantor's behalf, necessary for Grantee or its transferee, successors, or assigns, to obtain title to and the right to use the Patent Collateral or to grant or issue any exclusive or nonexclusive license under the Patent Collateral to any other person or to assign, pledge, convey, or otherwise transfer title in or dispose of all or any part of the Patent Collateral to any other person upon the occurrence of a Triggering Event. Grantor ratifies all that attorney shall lawfully do or cause to be done by virtue of this power of attorney. This power of attorney shall be irrevocable for the life of this Agreement.

ARTICLE SEVEN

FILING OF DOCUMENTS WITH PATENT AND TRADEMARK OFFICE

Grantor shall at Grantor's own expense, to the extent Grantor deems it necessary, diligently file and prosecute all Applications relating to the inventions described and claimed in the Patent Collateral in the United States Patent and Trademark Office, and shall pay or cause to be paid in customary fashion all fees and disbursements in connection with such Applications, and until the Obligations shall have been paid in full, shall not abandon any such Application or disclaim or dedicate any Patent without the prior written consent of Grantee. Grantor shall not abandon any Patent Collateral without the prior written consent of Grantee, which consent shall not to be unreasonably withheld.

ARTICLE EIGHT

FEES, COSTS AND EXPENSES

Any and all fees, costs and expenses, including reasonable attorney fees and expenses incurred by Grantee in connection with the preparation of this Agreement and all other documents relating to this Agreement and to the consummation of this transaction, the filing and recording of any documents (including all taxes resulting from this transaction) in public offices, and any taxes, counsel fees, maintenance fees, costs of discharging encumbrances, or costs otherwise incurred in defending or prosecuting any actions or proceedings arising out of or related to the Patent Collateral shall be paid by Grantor on demand by Grantee and, until paid, shall be added to the Obligations.

ARTICLE NINE

SUIT TO ENFORCE PATENT COLLATERAL

Grantor shall have the right, with the prior written consent of Grantee, which consent shall not be unreasonably withheld, to bring suit in Grantor's own name to enforce the Patent Collateral, in which case Grantee may, at Grantee's option, be joined as a nominal party to the suit if Grantee is satisfied that joinder is necessary and that Grantee is not incurring any risk of

liability by that joinder. Grantor shall promptly, on demand, reimburse and indemnify and hold harmless Grantor from and for all damages, costs and expenses, including reasonable attorneys' fees, incurred by Grantee pursuant to the provisions of this Article and all other actions and conduct of Grantor with respect to the patent rights during the term of this Agreement except to the extent caused by the gross negligence or intentional misconduct of Grantee.

ARTICLE TEN

MODIFICATION; WAIVER

No modification or waiver of any provisions set forth in this Agreement shall be effective unless the same shall be in writing and signed by the party against whom enforcement is being sought.

ARTICLE ELEVEN

EXPENSES INCURRED IN PROTECTING PATENT COLLATERAL

If Grantor fails to comply with any of Grantor's obligations hereunder, Grantee may, at Grantee's sole option, do so in Grantee's name, but at Grantor's expense. Grantor agrees to reimburse Grantee in full for all expenses, including reasonable attorney fees, incurred by Grantee in protecting, defending, enforcing, and maintaining the patent collateral.

ARTICLE TWELVE

TERMINATION OF GRANTEE'S INTERESTS IN PATENT COLLATERAL

At such time as Grantor shall fully and unconditionally satisfy the Obligations, this Agreement shall terminate and Grantee shall execute and deliver to Grantor all deeds, assignments, and other instruments as may be necessary or proper to revest in Grantor full title to the Patent Collateral.

ARTICLE THIRTEEN

RECORDATION OF AGREEMENT

Grantor acknowledges and agrees that this Agreement shall be recorded in the United States Patent and Trademark Office.

ARTICLE FOURTEEN

PARTIES BOUND

This Agreement shall be binding on Grantor, Grantor's successors, and assigns, and shall inure to the benefit of Grantee, its successors, and assigns.

ARTICLE FIFTEEN

GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of South Carolina.

The parties have executed this Agreement on the day and year first above written.

GRANTOR:

ADVANCED COMPOSITE MATERIALS, LLC,

By: Thomas E. Quantrell
Title: President

GRANTEE:

THE NATIONAL BANK OF SOUTH CAROLINA

By: M. J. E. W.
Its: AVP

Schedule A

- Patent No. 5,656,561 (Pressureless sintering of whisker reinforced alumina composites)
- Patent No. 5,656,217 (Pressureless sintering of whisker reinforced alumina composites)
- Patent No. 5,389,586 (Pressureless sintering of whisker reinforced composites)
- Patent No. 5,106,702 (Reinforced aluminum matrix composite)
- Patent No. 5,095,730 (Whisker reinforced ceramic material working tools)
- Patent No. 5,006,417 (Ternary metal matrix composite)
- Patent No. 5,002,439 (Method for cutting nonmetallic materials)
- Patent No. 4,961,757 (Reinforced ceramic cutting tools)
- Patent No. 4,789,277 (Method of cutting using silicon carbide whisker reinforced ceramic cutting tools)