

**PATENT ASSIGNMENT**

Electronic Version v1.1  
 Stylesheet Version v1.1

<b>SUBMISSION TYPE:</b>	NEW ASSIGNMENT
<b>NATURE OF CONVEYANCE:</b>	SECURITY AGREEMENT
<b>CONVEYING PARTY DATA</b>	
<b>Name</b>	<b>Execution Date</b>
Trace Erase, LLC	06/23/2006
<b>RECEIVING PARTY DATA</b>	
<b>Name:</b>	KeeCorp., Inc.
<b>Street Address:</b>	915 S. 49th
<b>City:</b>	Temple
<b>State/Country:</b>	TEXAS
<b>Postal Code:</b>	76504
<b>PROPERTY NUMBERS Total: 2</b>	
<b>Property Type</b>	<b>Number</b>
Patent Number:	4968258
Patent Number:	5599189
<b>CORRESPONDENCE DATA</b>	
<b>Fax Number:</b>	(254)754-6331
<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>	
<b>Phone:</b>	254-755-4100
<b>Email:</b>	hammack@namanhowell.com
<b>Correspondent Name:</b>	Marcus W. Hammack
<b>Address Line 1:</b>	P.O. Box 1470
<b>Address Line 4:</b>	Waco, TEXAS 76703-1470
<b>ATTORNEY DOCKET NUMBER:</b>	17751-0001
<b>NAME OF SUBMITTER:</b>	Marcus W. Hammack

**CH \$80.00 4968258**

Total Attachments: 7  
 source=00338893#page1.tif  
 source=00338893#page2.tif  
 source=00338893#page3.tif

source=00338893#page4.tif  
source=00338893#page5.tif  
source=00338893#page6.tif  
source=00338893#page7.tif



## SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made and entered into as of this 23<sup>rd</sup> day of June, 2006, by and between KeeCorp., Inc., a Texas corporation with a mailing address of 915 S. 49<sup>th</sup>, Temple, Texas 76504 (referred to herein as "Secured Party"), and Trace Erase, LLC, a Texas limited liability company, with a mailing address of P.O. Box 843, Temple, Texas 76503 (referred to herein as "Pledgor").

1. Indebtedness. The Security Interest (defined below) is herein created to secure the obligations and indebtedness to Secured Party, direct or indirect, now existing or hereafter arising, of whatsoever kind or character, whenever or however created or incurred, of Pledgor including without limitation the following (collectively, the "Indebtedness"):

that certain promissory note (the terms of which are incorporated herein by reference) dated of even date herewith, executed by Trace Erase, LLC, payable to the order of KeeCorp., Inc., in the principal amount of \$1,240,000, plus accrued interest.

2. Agreement and Collateral. For value received, Pledgor hereby grants to Secured Party a security interest ("Security Interest") in the following described property, together with the additional property described in paragraph 3.F hereof (collectively referred to herein as "Collateral"), to wit:

U.S. Patent No. 4,968,258 issued November 6, 1990, to Max O. Kees and entitled "Reusable Learning Aid," together with all related continuation applications and resulting patents, all related continuation-in-part applications and resulting patents, all related foreign applications for invention protection, patents or inventor certificates, and all related causes of action;

U.S. Patent No. 5,599,189 issued February 4, 1997, to Max O. Kees and entitled "Reusable Learning Aid," together with all related continuation applications and resulting patents, all related continuation-in-part applications and resulting patents, all related foreign applications for invention protection, patents or inventor certificates, and all related causes of action;

U.S. Trademark Registration No. 2,293,281 issued on November 16, 1999, for the trademark TRACE ERASE BOARD, together with the goodwill of the business symbolized by said trademark and the registration thereof;

U.S. Copyright Registration No. TXu-771-958 registered on October 2, 1996, to Max O. Kees and entitled "Trace erase skill sheet packet";

U.S. Copyright Registration No. TXu-785-282 registered on November 13, 1996, to Max O. Kees and entitled "Trace erase board";

U.S. Copyright Registration No. TXu-868-258 registered on October 2, 1996, to Max O. Kees and entitled "Trace Erase: skill sheet packet";

Inventories of the Pledgor;

Accounts Receivables of the Pledgor;

One Single Cavity Injection Mold located at Farney Machine & Tool, Route 2, Box 317, Gatesville, Texas 76528;

The security interest granted herein to the Inventories and Accounts Receivables of the Pledgor is subordinate to any current or future bank security interest that secures a line of credit for either Trace Erase, LLC or BJ3 Industries, Inc. Max Kees and KeeCorp, Inc. agree to execute any subordination agreement required by any lender of Trace Erase, LLC, BJ3 Industries, Inc., William A. Jones, III, for indebtedness to operate Trace Erase, LLC or BJ3 Industries, Inc.

3. Pledgor's Warranties, Covenants and Further Agreements.

A. Title. Except for the Security Interest, Pledgor has, or on acquisition will have, fee simple title to the Collateral free from any lien, security interest, encumbrance or claim (except liens for current taxes not due) and Pledgor will, during the term of this Agreement, at Pledgor's cost, keep the Collateral free from other liens, security interests, encumbrances or claims, and defend any action which may affect the Security Interest or Pledgor's title to the Collateral. This Agreement and any account, instrument or document which is, or shall be, included in the Collateral is, and shall be, genuine and legally enforceable and free from any setoff, counterclaim or defense. No notice of bankruptcy or insolvency of an account debtor has been received by Pledgor.

B. Perfection. No financing statement covering the Collateral or any part or proceeds thereof is on file in any public office and, at Secured Party's request, Pledgor will join in executing all financing statements and other instruments deemed necessary by Secured Party to perfect the Security Interest and to assist Secured Party to perfect Secured Party's Security Interest in such Collateral. If the Collateral is of such nature that possession by Secured Party is necessary to perfect Secured Party's Security Interest in such Collateral, Pledgor has delivered such Collateral to Secured Party simultaneously herewith, or agrees to deliver such Collateral to Secured Party as soon hereafter as is reasonably practicable, accompanied by all proper instruments of transfer and assignment duly executed.

C. Sale of Collateral and Assignment. Notwithstanding any other provision hereof, Pledgor will not process, sell, lease or otherwise dispose of all or part of the Collateral, except inventory, identified as such herein, in the ordinary course of business. Secured Party may assign or transfer all or part of its rights in, and obligation, if any, under the indebtedness, the Collateral and this Agreement.

D. Insurance. Pledgor will insure the Collateral with companies acceptable to Secured Party against such casualties and in such amounts as Secured Party shall require with a clause in favor of Pledgor and Secured Party as its interests may appear, and Secured Party is hereby authorized to collect sums which may become due under any of said policies and apply same to the Indebtedness. All policies of insurance shall provide for written notice to Secured Party at least ten (10) days prior to cancellation. Risk of loss not covered by insurance is in Pledgor. If Pledgor fails to obtain or maintain any insurance required hereunder or fails to provide evidence of such insurance in form and content satisfactory to Secured Party, Secured Party, at its option, and in addition to its other remedies, may obtain substitute insurance, or may obtain insurance that covers only the Secured Party's interest in the Collateral. Secured Party may add to the Indebtedness the premium advanced by Secured Party for any such insurance, and may charge interest on the amount of such premium from the time of its addition to the Indebtedness until it is paid, at a rate not in excess of the rate that the Indebtedness would produce over its full term if each scheduled payment were paid on the date due.

E. Maintenance. Pledgor will preserve the Collateral, keep same in good order and repair (at Pledgor's own risk of loss), and will not waste, destroy, lose, allow to deteriorate (other than ordinary wear and tear), or materially modify the Collateral, or release any party liable thereon. Pledgor will pay any and all maintenance fees related to the above mentioned patents, trademarks, and copyrights. Pledgor will not exercise, or cause to be exercised, any voting rights with regard to the Collateral, without the prior written consent of Secured Party, if the direct or indirect effect of such vote results in a material change to the Collateral or the corporation, partnership, other entity or property in which the Collateral evidences a legal or beneficial interest. Pledgor will not allow the Collateral to be used in violation of any statute or ordinance. Secured Party, or its agents, will have the right to examine, audit, inspect and copy, as the case may be, the Collateral and any books or records pertaining thereto (which Pledgor agrees to keep in an accurate and complete form, reflecting the assignment, if any, of accounts hereunder) at any time. Pledgor shall furnish reports, data and financial statements, including audits by independent public accountants, in respect of the Collateral and Pledgor's business and financial condition, on a monthly basis due on the fifteenth day of the month following the month reported on. Pledgor will pay promptly when due all taxes and assessments on the Collateral or for its use and operation and all costs, expenses and insurance premiums necessary to preserve, protect, maintain and collect the Collateral. Secured Party may, at its option, discharge such costs, expenses, and premiums for the repair, maintenance, and preservation of the Collateral, and all sums so expended shall be part of the Indebtedness.

F. Additional Property. The Collateral includes all proceeds, increases, substitutions, products, offspring, accessions and attachments thereof, including, without limitation, all securities, subscription rights, dividends, or other property or benefits which Pledgor is entitled to receive on account of the Collateral, equipment, tools, parts and accessories used in connection therewith, and goods covered by chattel paper, accounts or other items of the Collateral. The Collateral also includes all money or property of Pledgor in Secured Party's possession, held for or owed to Pledgor, Secured Party being granted herein the right to set off such money and property against the Indebtedness. The Collateral does not include any additional or after acquired property that is consumer goods, except accessions and property acquired within ten (10) days after Secured Party gives value.

G. Change of Location. Pledgor covenants and agrees that without Secured Party's prior written consent, Pledgor will not change the location (as shown hereon) of the Collateral (other than inventory in the ordinary course of business) or the records pertaining to the Collateral.

H. Disposition of Inventory. At any time the disposition of inventory assigned hereunder gives rise to an account or other proceeds, Pledgor shall immediately notify Secured Party of said disposition and assign said proceeds to Secured Party. The amount shown as to each account on Pledgor's books will be the true and undisputed amount owing and unpaid thereon.

I. Notice of Changes. Pledgor will immediately notify Secured Party of any change occurring in or to the Collateral, of a change in Pledgor's residence, or in any fact or circumstance warranted or represented by Pledgor to Secured Party, or if any event of default occurs.

J. Life Insurance. Pledgor will, at his own expense, secure and maintain a life insurance policy on his life naming BJ3 Industries, Inc. as beneficiary with an assignment of benefits to Seller with the face value equaling, at a minimum, the lesser of (i) ONE MILLION AND NO 00 DOLLARS (\$1,000,000.00) or (ii) the outstanding principal amount of the Indebtedness. Should Pledgor die prior to principal amount of the Indebtedness being paid, Secured Party shall only be entitled to proceeds from the insurance policy necessary to payoff the remaining Indebtedness. Pledgor shall instruct and arrange with the life insurance company that Secured Party will be notified before the policy is terminated or the face value of the policy is decreased.

4. Rights of Secured Party. Pledgor hereby appoints Secured Party as Pledgor's attorney-in-fact to do any act which Pledgor is obligated by this Agreement to do, to exercise all rights, voting and otherwise, of Pledgor in the Collateral, and to do all things deemed necessary by Secured Party to perfect the Security Interest and preserve, collect, enforce and protect the Collateral and any insurance proceeds hereunder, all at Pledgor's cost and without any obligation on Secured Party so to act, including, but not limited to, transferring title into the name of Secured Party, or its nominee, or receipting for, settling, or otherwise realizing upon the Collateral. Secured Party may, in its discretion, require Pledgor to give possession or control of the Collateral to Secured Party; endorse as Pledgor's agent any instruments, documents or accounts in the Collateral; contact account debtors directly to verify or collect accounts; take control of the Collateral or proceeds thereof, including, among others, stock or cash dividends or stock splits, and use cash proceeds to reduce any part of the Indebtedness; require Pledgor to use its best efforts to cause the issuer of the Collateral to register any or all of the Collateral under applicable securities laws, at the expense of Pledgor or such issuer; require additional Collateral; reject as unsatisfactory any property hereafter offered by Pledgor as Collateral; designate, from time to time, a certain percentage of the Collateral as the loan value and require Pledgor to maintain the Indebtedness at or below such figure. Secured Party shall not be liable for any act or omission on the part of Secured Party, its officers, agents or employees, except willful misconduct nor shall Secured Party be responsible for depreciation in value of the Collateral for preservation of rights against prior parties. The foregoing rights and powers of Secured Party may be exercised before or after default and shall be in addition to, and not a limitation upon, any rights and powers of Secured Party given herein or by laws, custom or otherwise.

5. Events of Default. Pledgor shall be in default under this Agreement upon the happening of any of the following events or conditions:

A. Default in the timely payment or performance of any obligation, covenant or agreement contained herein, secured hereby or otherwise made or owed to Secured Party;

B. Any warranty, representation or statement made to Secured Party by or in behalf of Pledgor proves to have been false in any material respect when made;

C. Any event which results in the acceleration of the maturity of the indebtedness of Pledgor to others under any indenture, agreement or undertaking;

D. Substantial change in any fact warranted or represented in this Agreement;

E. Sale, loss, theft, destruction, encumbrance or unauthorized transfer of any Collateral, or substantial damage thereto;

F. On William A. Jones, III.'s death, incapacity, Pledgor's dissolution, merger or consolidation, termination of existence, insolvency, business failure, appointment of a receiver for any part of the Collateral, commission of an act of bankruptcy, assignment for the benefit of creditors or the commencement of any proceeding under any bankruptcy or insolvency law by or against Pledgor or any entity of which Pledgor is a partner or principal or any maker, guarantor, or other person liable upon or for any Indebtedness or Collateral;

G. Modification of any account which constitutes part of the Collateral;

H. Levy on, seizure, or attachment of all or part of the Collateral;

I. Judgment against Pledgor which remains unpaid for thirty (30) days;

6. Remedies of Secured Party upon Default. When an event of default occurs, and at any time thereafter, Secured Party may declare all or a part of the Indebtedness immediately due and payable and may proceed to enforce payment of same and to exercise any and all of the rights and remedies provided by the Uniform Commercial Code ("Code"), as well as all other rights and remedies possessed by Secured Party under this Agreement or otherwise at law or in equity. Pledgor understands that sales of the Collateral hereunder may be restricted by securities laws and that private sales of the Collateral or sales in other transactions exempt from registration may be necessary, which sale Pledgor recognizes as commercially reasonable. Secured Party may also require Pledgor to assemble the Collateral and make it available to Secured Party at any place to be designated by Secured Party which is reasonably convenient to both parties. For purposes of the notice requirements of the Code, Secured Party and Pledgor agree that notice given at least five (5) calendar days prior to the related action hereunder is reasonable. Secured Party shall be entitled to immediate possession of the Collateral and all books and records evidencing same and shall have authority to enter upon any premises, upon which said items may be situated, and remove same therefrom. Expenses of retaking, holding, preparing for sale, selling, or the like, shall include, without limitation, Secured Party's reasonable attorneys' fees and all such expenses shall be

recovered by Secured Party before applying the proceeds from the disposition of the Collateral toward the Indebtedness. To the extent allowed by the Code, Secured Party may use its discretion in applying the proceeds of any disposition of the Collateral and Pledgor will remain liable for any deficiency remaining after such disposition. All rights and remedies of Secured Party hereunder are cumulative and may be exercised singly or concurrently. The exercise of any right or remedy will not be a waiver of any other.

7. General.

A. Waiver by Secured Party. No waiver by Secured Party of any right hereunder or of any default by Pledgor shall be binding upon Secured Party unless in writing executed by Secured Party. Failure or delay by Secured Party to exercise any right hereunder or waiver of any default of Pledgor shall not operate as a waiver of any other right, of further exercise of such right, or of any further default.

B. Parties Bound. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, receivers, trustees and assigns where permitted by this Agreement. All representations and warranties and agreements of Pledgor are joint and several if Pledgor is more than one. This Agreement shall constitute a continuing agreement, applying to all future as well as existing transactions, such future transactions being contemplated by Pledgor and Secured Party.

C. Texas Law to Apply. This Agreement shall be construed in accordance with the Code (the definitions of which apply herein) and other applicable laws of the State of Texas and any proceeding hereunder shall be in Bell County, Texas.

D. Notice. Notice shall be deemed given or sent when mailed postage prepaid to Pledgor's address given above or to Pledgor's most recent address as shown by notice of change on file with Secured Party.

E. Modification. This Agreement shall not be amended in any way except by a written agreement signed by the parties hereto.

F. Severability. The unenforceability of any provision of this Agreement shall not affect the enforceability or validity of any other provision hereof.

G. Construction. If there is any conflict between the provisions hereof and the provisions of the Indebtedness, the latter shall control. The captions herein are for convenience of reference only and not for definition or interpretation.

H. Waiver of Pledgor. Pledgor hereby waives presentment, demand, notice or dishonor, protest, and notice of protest, and all other notices with respect to collection, or acceleration of maturity, of the Collateral and Indebtedness.

I. Additional Terms. All annexes and schedules attached hereto, if any, are hereby made a part hereof.



IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Security Agreement as of the date first above written.

SECURED PARTY:

KeeCorp., Inc.

By: Max O. Kees  
Max O. Kees, President

PLEDGOR:

Trace Erase, LLC.

By: William A. Jones, III  
William A. Jones, III., President