

PATENT ASSIGNMENT

Electronic Version v1.1
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SUBMISSION TYPE:

NEW ASSIGNMENT

NATURE OF CONVEYANCE:

SECURITY AGREEMENT

CONVEYING PARTY DATA

Name	Execution Date
Bacterin International, Inc.	11/17/2010

RECEIVING PARTY DATA

Name:	Venture Lending & Leasing VI, Inc.
Street Address:	2010 North First Street, Suite 310
City:	San Jose
State/Country:	CALIFORNIA
Postal Code:	95131

Name:	Venture Lending & Leasing V, Inc.
Street Address:	2010 North First Street, Suite 310
City:	San Jose
State/Country:	CALIFORNIA
Postal Code:	95131

PROPERTY NUMBERS Total: 5

Property Type	Number
Patent Number:	5290558
Patent Number:	5284655
Application Number:	10891885
Application Number:	11864360
Application Number:	12130384

CORRESPONDENCE DATA

Fax Number: (415)777-4961

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

Phone: 415 981 1400

Email: gkiviat@grmslaw.com

OP \$200.00 5290558

501383531

PATENT
REEL: 025523 FRAME: 0684

Correspondent Name:	Jeffrey T. Klugman
Address Line 1:	Four Embarcadero Center, Suite 4000
Address Line 4:	San Francisco, CALIFORNIA 94111

ATTORNEY DOCKET NUMBER:	46109/0241 & 47558/0025
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NAME OF SUBMITTER:	Jeffrey T. Klugman
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Total Attachments: 9

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INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Intellectual Property Security Agreement (this "Agreement") is made as of November 17, 2010, by and between BACTERIN INTERNATIONAL, INC., a Nevada corporation ("Grantor"), and VENTURE LENDING & LEASING V, INC. ("VLL5") and VENTURE LENDING & LEASING VI, INC. ("VLL6"), both Maryland corporations (sometimes referred to herein individually or together as "Secured Party").

RECITALS

A. Pursuant to (i) that certain Loan and Security Agreement of even date herewith between Grantor and Bacterin International Holdings, Inc., as borrowers, and VLL5, as lender, and (ii) that certain Loan and Security Agreement of even date herewith between Grantor and Bacterin International Holdings, Inc., as borrowers, and VLL6, as lender, as such agreements may from time to time be amended, restated, supplemented or otherwise modified (individually and together, the "Loan Agreement"), Secured Party has agreed to make certain advances of money and to extend certain financial accommodations to Grantor (the "Loans") in the amounts and manner set forth in the Loan Agreement. All capitalized terms used herein without definition shall have the meanings ascribed to them in the Loan Agreement.

B. Secured Party is willing to make the Loans to Grantor, but only upon the condition, among others, that Grantor shall grant to Secured Party a security interest in substantially all of Grantor's personal property whether presently existing or hereafter acquired. To that end, Grantor has executed in favor of Secured Party the Loan Agreement granting a security interest in all Collateral, and is executing this Agreement with respect to certain items of Intellectual Property, in particular.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Grant of Security Interest. As collateral security for the prompt and complete payment and performance of all of Grantor's present or future Obligations, Grantor hereby grants a security interest to Secured Party, as security, in and to Grantor's entire right, title and interest in, to and under the following Intellectual Property, now owned or hereafter acquired by Grantor or in which Grantor now holds or hereafter acquires any interest (all of which shall collectively be called the "Collateral" for purposes of this Agreement):

(a) Any and all copyrights, whether registered or unregistered, held pursuant to the laws of the United States, any State thereof or of any other country; all registrations, applications and recordings in the United States Copyright Office or in any similar office or agency of the United States, and State thereof or any other country; all continuations, renewals, or extensions thereof; and any registrations to be issued under any pending applications, including without limitation those set forth on Exhibit A attached hereto (collectively, the "Copyrights");

(b) All letters patent of, or rights corresponding thereto in, the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of, or rights corresponding thereto in, the United States or any other country, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country; all reissues, continuations, continuations-in-part or extensions thereof; all petty patents, divisionals, and patents of addition; and all patents to be issued under any such applications, including without limitation the patents and patent applications set forth on Exhibit B attached hereto (collectively, the "Patents");

(c) All trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or

appear, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and any applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, and reissues, extensions or renewals thereof, and the entire goodwill of the business of Grantor connected with and symbolized by such trademarks, including without limitation those set forth on Exhibit C attached hereto (collectively, the "Trademarks");

(d) Any and all claims for damages by way of past, present and future infringement of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;

(e) All licenses or other rights to use any of the Copyrights, Patents or Trademarks, and all license fees and royalties arising from such use to the extent permitted by such license or rights;

(f) All amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents; and

(g) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

Notwithstanding the foregoing the term "Collateral" shall not include: (a) "intent-to-use" trademarks at all times prior to the first use thereof, whether by the actual use thereof in commerce, the recording of a statement of use with the United States Patent and Trademark Office or otherwise, but only to the extent the granting of a security interest in such "intent to use" trademarks would be contrary to applicable law or (b) any contract, instrument or chattel paper in which Grantor has any right, title or interest if and to the extent such contract, instrument or chattel paper includes a provision containing a restriction on assignment such that the creation of a security interest in the right, title or interest of Grantor therein would be prohibited and would, in and of itself, cause or result in a default thereunder enabling another person party to such contract, instrument or chattel paper to enforce any remedy with respect thereto; provided, however, that the foregoing exclusion shall not apply if (i) such prohibition has been waived or such other person has otherwise consented to the creation hereunder of a security interest in such contract, instrument or chattel paper, or (ii) such prohibition would be rendered ineffective pursuant to Sections 9-407(a) or 9-408(a) of the UCC, as applicable and as then in effect in any relevant jurisdiction, or any other applicable law (including the Bankruptcy Code) or principles of equity); provided further that immediately upon the ineffectiveness, lapse or termination of any such provision, the term "Collateral" shall include, and Grantor shall be deemed to have granted a security interest in, all its rights, title and interests in and to such contract, instrument or chattel paper as if such provision had never been in effect; and provided further that the foregoing exclusion shall in no way be construed so as to limit, impair or otherwise affect Secured Party's unconditional continuing security interest in and to all rights, title and interests of Grantor in or to any payment obligations or other rights to receive monies due or to become due under any such contract, instrument or chattel paper and in any such monies and other proceeds of such contract, instrument or chattel paper.

2. Covenants and Warranties. Grantor represents, warrants, covenants and agrees as follows:

(a) Grantor has rights (as defined in the UCC) in the Collateral, subject to Permitted Liens;

(b) During the term of this Agreement, Grantor will not transfer or otherwise encumber any interest in the Collateral, except for Permitted Liens and except for transfers otherwise permitted under the Loan Agreement;

(c) To its knowledge, each of the Patents is valid and enforceable, and no part of the Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Collateral violates the rights of any third party;

(d) Grantor shall deliver to Secured Party within thirty (30) days of the last day of each fiscal quarter, a report signed by Grantor, in form reasonably acceptable to Secured Party, listing (i) any applications or registrations that Grantor has made or filed in respect of any patents, copyrights or trademarks, (ii) the status of any outstanding applications or registrations thereof and (iii) any material change in the composition of the Collateral.

(e) Grantor shall use reasonable commercial efforts to (i) protect, defend and maintain the validity and enforceability of the Trademarks, Patents and Copyrights that are material to Grantor's business, (ii) detect infringements of the Trademarks, Patents and Copyrights and promptly advise Secured Party in writing of material infringements detected and (iii) not allow any material Trademarks, Patents or Copyrights to be abandoned, forfeited or dedicated to the public unless Borrower deems it to be in the best interest of Borrower's business;

(f) Grantor shall apply for registration (to the extent not already registered) with the United States Patent and Trademark Office or the United States Copyright Office, as applicable: (i) those intellectual property rights listed on Exhibits A, B and C hereto within thirty (30) days of the date of this Agreement; and (ii) those additional intellectual property rights developed or acquired by Grantor from time to time in connection with any product or service, prior to the sale or licensing of such product or the rendering of such service to any third party (including without limitation revisions or additions to the intellectual property rights listed on such Exhibits A, B and C), except, in each case, with respect to such rights that Grantor determines in its sole but reasonable commercial judgment need not be registered to protect its own business interests. Grantor shall, from time to time, execute and file such other instruments, and take such further actions as Secured Party may reasonably request from time to time to perfect or continue the perfection of Secured Party's interest in the Collateral. Grantor shall give Secured Party notice of all such applications or registrations as set forth in Section 2(d); and

(g) Grantor shall not enter into any agreement that would materially impair or conflict (in a manner that is enforceable under applicable law) with Grantor's obligations hereunder without Secured Party's prior written consent, which consent shall not be unreasonably withheld. Grantor shall not permit the inclusion in any material contract to which it becomes a party of any provisions (that are enforceable under applicable law) that could or might in any way prevent the creation of a security interest in Grantor's rights and interests in any property included within the definition of the Collateral acquired under such contracts, except for provisions in such material contracts as are referenced in the last paragraph of Section 1 of this Agreement.

3. Further Assurances: Attorney in Fact.

(a) On a continuing basis, Grantor will make, execute, acknowledge and deliver, and file and record in the proper filing and recording places in the United States, all such instruments, including appropriate financing and continuation statements and collateral agreements and filings with the United States Patent and Trademark Office and the Register of Copyrights, as reasonably requested by Secured Party, to perfect Secured Party's security interest in all Copyrights, Patents and Trademarks and otherwise to carry out the intent and purposes of this Agreement, or for assuring and confirming to Secured Party the grant or perfection of a security interest in all Collateral.

(b) Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact, with full authority in the place and stead of Grantor and in the name of Grantor, from time to time in Secured Party's discretion, to take any action and to execute any instrument which Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including (i) to modify, in its sole discretion, this Agreement without first obtaining Grantor's approval of or signature to such modification by amending Exhibits A, B and C, hereof, as

appropriate, to include reference to any right, title or interest in any Copyrights, Patents or Trademarks acquired by Grantor after the execution hereof or to delete any reference to any right, title or interest in any Copyrights, Patents or Trademarks in which Grantor no longer has or claims any right, title or interest, (ii) to file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Grantor where permitted by law, and (iii) after the occurrence and during the continuance of an Event of Default, to transfer the Collateral into the name of Secured Party or a third party to the extent permitted under the California Uniform Commercial Code.

4. Events of Default. The occurrence of any of the following shall constitute an Event of Default under this Agreement:

- (a) An Event of Default under the Loan Agreement; or
- (b) Grantor breaches any warranty or agreement made by Grantor in this Agreement and, as to any breach that is capable of cure, Grantor fails to cure such breach within thirty (30) days of the sooner to occur of Grantor's receipt of notice of such breach from Secured Party or the date on which such breach first becomes known to Grantor.

5. Amendments. This Agreement may be amended only by a written instrument signed by both parties hereto, except for amendments permitted under Section 3 hereof to be made by Secured Party alone.

6. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute the same instrument.

7. Several Nature of Secured Party's Obligations and Rights: Pari Passu Security Interests. This Agreement is and shall be interpreted for all purposes as separate and distinct agreements between Grantor and VLL5, on the one hand, and Grantor and VLL6, on the other hand, and nothing in this Agreement shall be deemed a joint venture, partnership or other association between VLL5 and VLL6. Each reference in this Agreement to "Secured Party" shall mean and refer to each of VLL5 and VLL6, singly and independent of one another. Without limiting the generality of the foregoing, the covenants and other obligations of "Secured Party" under this Agreement are several and not joint obligations of VLL5 and VLL6, and all rights and remedies of "Secured Party" under this Agreement may be exercised by VLL5 and/or VLL6 independently of one another. The security interests granted by Grantor to each of VLL5 and VLL6 hereunder and under the Loan Agreement shall be deemed to have been granted and perfected at the same time and shall be of equal priority.

[Signature Pages Follow]

ORIGINAL

[Signature page to Intellectual Property Security Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

Address of Grantor:

600 Cruiser Lane
Belgrade, MT 59714
Attn: Chief Financial Officer

GRANTOR:

BACTERIN INTERNATIONAL, INC.

By: 

Name: John P. Gaudet

Its: CFO

Address of Secured Party:

2010 North First Street, Suite 310
San Jose, CA 95131
Attn: Chief Financial Officer

SECURED PARTY:

VENTURE LENDING & LEASING V, INC.

By: _____

Name: _____

Its: _____

Address of Secured Party:

2010 North First Street, Suite 310
San Jose, CA 95131
Attn: Chief Financial Officer

VENTURE LENDING & LEASING VI, INC.

By: _____

Name: _____

Its: _____

[Signature page to Intellectual Property Security Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

GRANTOR:

Address of Grantor:

BACTERIN INTERNATIONAL, INC.

600 Cruiser Lane
Belgrade, MT 59714
Attn: Chief Financial Officer

By: _____

Name: _____

Its: _____

SECURED PARTY:

Address of Secured Party:

VENTURE LENDING & LEASING V, INC.

2010 North First Street, Suite 310
San Jose, CA 95131
Attn: Chief Financial Officer

By:

Name: Maurice Werdegar

Its: President and CEO


ORIGINAL

Address of Secured Party:

VENTURE LENDING & LEASING VI, INC.

2010 North First Street, Suite 310
San Jose, CA 95131
Attn: Chief Financial Officer

By:

Name: Maurice Werdegar

Its: President and CEO

EXHIBIT A

Copyrights

None.

EXHIBIT B**Patents**

<u>Description</u>	<u>Registration/Serial Number</u>	<u>Registration /Application Date</u>
FLOWABLE DEMINERALIZED BONE POWDER COMPOSITION AND ITS USE IN BONE REPAIR	5290558	03/01/1994
SWOLLEN DEMINERALIZED BONE PARTICLES, FLOWABLE OSTEOGENIC COMPOSITION CONTAINING SAME AND USE OF THE COMPOSITION IN THE REPAIR OF OSSEOUS DEFECTS	5284655	02/08/1994
Antimicrobial coating for inhibition of bacterial adhesion and biofilm formation	10891885	07/15/2004
Medical Device including a Bioactive in a Non-ionic and an Ionic Form and Methods of Preparation Thereof	11864360	09/28/2007
PROCESS FOR DEMINERALIZATION OF BONE MATRIX WITH PRESERVATION OF NATURAL GROWTH FACTORS	12130384	05/30/2008
MEDICAL DEVICE INCLUDING A BIOACTIVE IN A NON-IONIC AND AN IONIC FORM AND METHODS OF PREPARATION THEREOF	PCT/US2007/079924	09/28/2007
ANTIMICROBIAL COATING FOR INHIBITION OF BACTERIAL ADHESION AND BIOFILM FORMATION	PTC/US2005/015162	04/28/2005
PROCESS FOR DEMINERALIZATION OF BONE MATRIX WITH PRESERVATION OF NATURAL GROWTH FACTORS	PTC/US2008/006942	06/02/2008
AN ELASTOMERIC ARTICLE INCORPORATED WITH A BROAD SPECTRUM ANTIMICROBIAL	PTC/US2009/005103	09/11/2009

EXHIBIT C

Trademarks

<u>Description</u>	<u>U.S. Registration/Application Number</u>	<u>Registration/Application Date</u>
OSTEOWRAP	3576966	02/17/2009
ELUTIA	3576967	02/17/2009
MATRIX	77228718	07/12/2007
OSTEOSELECT	3758117	03/09/2010
OSTEOLOCK	3793867	05/25/2010
BACFAST	3794423	05/25/2010
OSTEOSPONGE	3366646	01/08/2008
OSTEOFUSE	78890695	05/23/2006