

PATENT ASSIGNMENT COVER SHEET

Electronic Version v1.1
 Stylesheet Version v1.2

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SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY INTEREST
CONVEYING PARTY DATA	
Name	Execution Date
SHELLTECH LLC	12/12/2018
RECEIVING PARTY DATA	
Name:	KENTUCKY HIGHLANDS INVESTMENT CORPORATION
Street Address:	P O BOX 1738
City:	LONDON
State/Country:	KENTUCKY
Postal Code:	40743-1738
PROPERTY NUMBERS Total: 4	
Property Type	Number
Patent Number:	9939236
Application Number:	15221530
Application Number:	15853824
PCT Number:	US1644322
CORRESPONDENCE DATA	
Fax Number:	(606)864-5194
<i>Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent using a fax number, if provided; if that is unsuccessful, it will be sent via US Mail.</i>	
Phone:	6068645175
Email:	BWATKINS@KHIC.ORG
Correspondent Name:	KENTUCKY HIGHLANDS
Address Line 1:	PO BOX 1738
Address Line 4:	LONDON, KENTUCKY 40743-1738
NAME OF SUBMITTER:	ROBERTA WATKINS
SIGNATURE:	/ROBERTA WATKINS/
DATE SIGNED:	01/11/2019
Total Attachments: 16	
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SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made and entered into as of the 12th day of December, 2018 by and between (i) **SHELLTECH LLC.**, a Kentucky Member-managed LLC, having its principal office at 509 Texas School Road, Eubank, Pulaski County Kentucky 42567 (hereinafter referred to as the "Debtor") and (ii) **KENTUCKY HIGHLANDS INVESTMENT CORPORATION**, a Kentucky Corporation with its principal office at P.O. Box 1738, London, Laurel County Kentucky 40743-1738 (hereinafter referred to as the "Lender").

IT IS AGREED BY THE PARTIES AS FOLLOWS:

1. Grant of Security Interest. For value received, and to secure the indebtedness referred to in Section 2 hereof, the Debtor hereby pledges, sells, assigns, transfers and grants to the Lender a continuing security interest in the following described personal property, rights and interests, to-wit (all of which is sometimes collectively, and each item of which is sometimes individually, hereinafter referred to as the "Collateral"):

a. All existing and future "Accounts" of the Debtor, as such term is defined in the Uniform Commercial Code of Kentucky, including, but not in any way limited to, all accounts receivable of Debtor, all rights of the Debtor to payment for "Inventory", as hereinafter defined, or for goods sold or leased or services rendered, and all royalties, rents, revenues, fees, and all other sums whatsoever now or hereafter owed to the Debtor, in each case regardless whether now existing, hereafter accruing or arising and whenever and wherever acquired, created or arising, and whether or not evidenced by a note, lease or other instruments, and including all goods or inventory in transit and/or returned to, or repossessed by, the Debtor and all claims against common carriers for goods and inventory lost in transit (all of the collateral described in this Subsection (a) is hereinafter collectively referred to as the "Accounts");

b. All of the Debtor's "Inventory", as defined in the Uniform Commercial Code of Kentucky, and supplies, in each case regardless of whether now owned or hereafter acquired, including but not limited to, all items of personal property now owned or hereafter acquired by Debtor if they are held for sale or lease or to be furnished under contracts of service by the Debtor and all work in process or finished goods and including raw materials and materials used or consumed in business (all of which is hereinafter referred to as the "Inventory");

c. All of the Debtor's "General Intangibles", "Documents", "Instruments", including all of the Debtor's rights in any franchise agreements, licenses, or other contract rights, and including, but not limited to, all negotiable and non-negotiable bills of lading and warehouse receipts, and "Chattel Paper", as those terms are defined in the Uniform Commercial Code of Kentucky, and all rights to refunds of federal, state and/or local income taxes, in each case regardless whether now existing or hereafter acquired or arising, including the intellectual property identified in Attachment 1.

d. All of the Debtor's equipment, furnishings, vehicles, machinery, apparatus, fittings, and articles of personal property of every kind and nature whatsoever or any part thereof, in each case regardless of whether now owned or hereafter acquired, together with all present or future attachments or accessions thereto (all of which are hereinafter collectively referred to as the "Equipment");

e. All of the Debtor's other personal property, tangible or intangible, wherever located, and whether now owned or hereafter acquired; and

f. The proceeds of the property described above, including but not limited to, the proceeds payable under insurance policies covering any or all of the Collateral or payable as a result of any condemnation or eminent domain proceeding, and products of all the foregoing.

2. Obligations Secured. This Security Agreement is made as collateral security for: (a) the payment and/or performance of that certain Promissory Note (the "Note") of even date herewith made payable by the Debtor to the Lender in the original face principal amount of ONE MILLION THREE HUNDRED FIFTY-ONE THOUSAND SEVEN HUNDRED AND 0/100 DOLLARS (\$1,351,700.00), (b) any and all other obligations of the Debtor to the Lender. All of the obligations referred to in this Section 2 are sometimes hereinafter collectively referred to as the "Secured Obligations". The Secured Obligations shall be secured by all of the Collateral in such priority as may be selected by the Lender, in its discretion, from time to time. The lien of the security interest created pursuant to this Security Agreement shall be a first and prior lien upon the Collateral: provided, however, such lien shall not be a first and prior lien with respect to the portion of the Collateral identified in Attachment 1, which is subject to the existing, prior, perfected liens and security interests of the senior secured lenders to Shell Shock Technologies, LLC, a Delaware limited liability company, pursuant to filings made with the United States Patent and Trademark Office and the State of Delaware as referenced in Exhibit A. The Note has been executed pursuant to the terms of a Loan Agreement (the "Loan Agreement") between the Lender and the Debtor. The Loan Agreement, this Security Agreement, and any other document executed in connection therewith are referred to hereinafter together as the "Loan Documents."

3. Filing; Further Assurances. Debtor will, at its expense, execute, deliver, file and record (in such manner and form as Lender may require), or permit Lender to file and record, any financing statements, any carbon, photographic or other reproduction of a financing statement or this Security Agreement (which the parties hereto agree shall be sufficient as a financing statement hereunder), any specific assignments or other paper that may be reasonably necessary or desirable, or that Lender may request, in order to create, confirm, preserve, perfect or validate any Security Interest or to enable Lender to exercise and enforce its rights and remedies hereunder or under applicable law with respect to any of the Collateral.

4. Representations and Warranties. The Debtor represents and warrants to the Lender that:

a. The Debtor is the owner of the Collateral free from all liens, security interests and other encumbrances, except (i) the security interest granted hereby, (ii) the lien of

ad valorem property taxes not yet due and payable, (iii) the security interests and liens, if any, disclosed in the attached Exhibit A; provided, however, the Debtor is licensed by Shell Shock Technologies, LLC, a Delaware limited liability company, to use the intellectual property identified in Attachment 1 and does not own such intellectual property.

b. The Debtor has the right, and has been duly authorized, to enter into this Security Agreement; and

c. All additional information, representations and warranties contained in Exhibit B attached hereto and made a part hereof, and any Schedules attached to said Exhibit B, are true, accurate and complete on the date hereof.

5. Covenants of Debtor. The Debtor covenants and agrees with the Lender that the Debtor:

a. Shall defend the Collateral against the claims and demands of all persons;

b. Shall not, without prior written notice to the Lender, permit any part of the Collateral or any of the records concerning the same to be removed from the locations referred to in Section 4(c) hereof or any other location at which any of same may hereafter be located with notice to the Lender;

c. Shall advise the Lender in writing, at least thirty (30) days prior thereto, of any change in the Debtor's principal place of business or registered office or the opening of any new principal place of business or any change in the Debtor's name or the adoption by the Debtor of trade names, assumed names or fictitious names, or the movement of any Collateral from one state to another, and, in any such event, the Debtor shall execute and deliver to the Lender (and the Debtor agrees that the Lender may execute and deliver the same as the Debtor's irrevocable attorney-in-fact) new UCC-1 Financing Statements describing the Collateral specified herein for recordation where necessary or appropriate, as determined in the Lender's discretion, to perfect and/or continue perfected the Lender's security interest in the Collateral based upon such new place of business or registered office, and/or change in or adoption of a trade, assumed or fictitious name, and/or a new location for any of the Collateral and the Debtor shall pay all filing and recording fees and filing and recording taxes incurred in connection with the filing and/or recordation of such Financing Statements, and will immediately reimburse the Lender therefor if the Lender pays the same, with interest thereon at the rate specified in the Note;

d. Shall not: (i) permit any liens or security interests (other than the liens set forth in Section 4(a) hereof) to attach to any of the Collateral; (ii) permit any of the Collateral to be levied upon under any legal process; (iii) dispose of any of the Collateral without the prior written consent of the Lender, other than the collection of Accounts and the sale of Inventory in the ordinary course of business (which collection or sale may take place only so long as no demand for payment of the Note shall have been made); (iv) permit any of the Collateral to become an accession or improvement to other property in which the Lender does not hold a security interest; or (v) permit anything to be done that may materially impair the value of any of the Collateral or the security intended to be afforded by this Security Agreement;

e. Hereby irrevocably appoints the Lender as the Debtor's attorney-in-fact to do all acts and things which the Lender may deem necessary or appropriate to perfect and continue perfected the security interest created by this Security Agreement and to protect the Collateral following the occurrence of an Event of Default, including but not limited to the execution in Debtor's name, as its attorney-in-fact, of UCC-1 and other Financing Statements covering the Collateral and the filing and recordation of same wherever the Lender deems appropriate, and the Debtor agrees to reimburse the Lender immediately for all filing and recording fees and taxes in connection therewith, with interest thereon at the default rate specified in the Note;

f. Shall not waive, compromise or discount any Accounts, other than in the ordinary course of business;

g. Shall notify the Lender in writing immediately upon the creation of any account or accounts with respect to which the account debtor is the United States of America or any state, city or county governmental authority or any department, agency or instrumentality of any of them, or any foreign government or instrumentality thereof, or any business which is located in a foreign country;

h. Shall pay and perform the Secured Obligations strictly in accordance with their respective terms;

i. Shall (i) keep adequate books and records pertaining to the Collateral and its business at its offices at 509 Texas School Road, Eubank, Pulaski County Kentucky 42567; (ii) permit representatives of the Lender at any reasonable time to inspect and make abstracts from Debtor's books and records; and (iii) furnish to Lender such information and reports regarding Collateral and Debtor's financial status as the Lender may from time to time require;

j. Shall insure the tangible Collateral for the benefit of the Lender (to whom loss shall be payable) in such amounts, not in excess of replacement value, with such companies, and against such risks and with such deductibles, co-insurance provisions and agreed and replacement value endorsements, as may be satisfactory to the Lender, in its discretion, from time to time. In connection with such insurance:

i. if the Debtor fails to obtain or have provided such insurance, the Lender shall have the right to obtain same at the Debtor's expense, and the Debtor shall immediately reimburse the Lender for the cost thereof with interest thereon at the rate specified in the Note, which reimbursement shall be due on demand of the Lender, but such failure on the part of the Debtor shall nevertheless constitute a default hereunder even if the Lender obtains such insurance;

ii. The Debtor hereby assigns to the Lender all rights to receive the proceeds of such insurance and directs any insurer to pay all proceeds of such insurance directly to the Lender, without further authorization from the Debtor, and authorizes the Lender as the Debtor's irrevocable attorney-in-fact, to (A) compromise, settle and/or receipt for and on behalf

of the Debtor, any and all claims under all such insurance, so long as the Lender is acting reasonably and in good faith, and (B) obtain such insurance proceeds and endorse and negotiate any check and/or draft for such insurance proceeds, in the Debtor's names or otherwise, and apply the same to the replacement of the damaged Collateral, pursuant to procedures satisfactory to the Lender, or, at the option of the Lender, apply such proceeds to the Secured Obligations in such order as the Lender may elect in its discretion;

iii. The Debtor shall deliver the original or a certificate of all such insurance policies to the Lender, with the Lender named as insured and loss-payee pursuant to a standard lender's endorsement (with full waiver of subrogation against any insured or loss-payee), and which shall provide that: (A) the same may not be canceled or modified, even for non-payment of premiums, except after thirty (30) days' prior written notice from the insurance company to, and actually received by, the Lender and (B) no act or default of the Debtor, the Lender or any other person shall affect the right of the Lender to recover under such policies of insurance in case of loss or damage, and the Debtor shall deliver to the Lender proof of renewals of all such policies at least ten (10) days in advance of the expiration of each such policy or due-date of the premiums therefor, as the case may be.

k. Shall keep the tangible Collateral in good condition and repair, shall at all times keep accurate and complete records with respect to the Collateral and shall permit the Lender or any of its representatives to call at the Debtor's places of business to inspect the Collateral and all books, records and other data of the Debtor at any time from time to time; and

l. Shall comply with all applicable federal, state and local statutes, laws, rules and regulations.

6. Payment of Accounts. Upon the demand for payment of the Note, the Lender shall have the absolute right to notify account debtors obligated on any or all of the Debtor's Accounts to make payments thereof directly to the Lender, and to take control of all proceeds of any or all such accounts. In connection therewith and upon the occurrence of an Event of Default the following shall apply:

a. Until such time as the Lender elects to exercise such right by giving the Debtor written notice thereof, the Debtor is authorized, as the Lender's agent, to collect and enforce the Accounts. The Lender and Debtor may establish or continue a cash management system which may include the collection by the Lender of the Debtor's Accounts. Upon the demand for payment of the Note, the Lender's rights hereunder relative to the Accounts shall supersede any such system at the Lender's option. The costs of collection and enforcement of the Accounts, including attorneys' fees and out-of-pocket expenses, shall be borne solely by the Debtor, whether the same are incurred by the Lender or the Debtor in the collection of such Accounts.

b. To facilitate direct collection of such Accounts, the Debtor hereby grants to the Lender the right, after a demand for payment, to take over the Debtor's post office boxes and to make other arrangements suitable to the Lender so that it may receive the Debtor's mail,

and Debtor grants the Lender the right to open all such mail as the Debtor's irrevocable attorney-in-fact.

c. The Debtor shall execute promptly and deliver to the Lender all instruments necessary or appropriate, as determined in the Lender's sole discretion, to further the Lender's exercise of the rights and powers granted it in this Section.

d. For all purposes whatsoever, including, but not limited to those specified in this Section 5, Debtor hereby constitutes the Lender as the Debtor's irrevocable attorney-in-fact to sign and endorse, in the name of the Debtor, all checks, drafts and other instruments in payment of any Accounts or otherwise from the sale or lease of the Inventory, to give notices and receipts in the Debtor's name, to compromise, settle, adjust and discount the Accounts and to perform such other acts in connection with such Accounts as the Lender in its sole discretion may determine, all at the cost of the Debtor.

e. Upon demand for payment of the Note, the Debtor shall forthwith, upon receipt of all checks, drafts, cash and other remittances in payment or on account of Debtor's Accounts or from the sale or lease of Inventory, deposit the same in a special bank account maintained with the Lender, over which the Lender alone, to the exclusion of the Debtor, shall have the power of withdrawal. The funds in said account shall be held by the Lender as security for the Secured Obligations. Said proceeds paid on the Debtor's Accounts and from the sale or lease of the Inventory shall be deposited in precisely the form received, except for the endorsement of the Debtor where necessary to permit collection of items, which endorsement the Debtor agrees to make and which the Lender is also hereby authorized by the Debtor to make in Debtor's name and on Debtor's behalf as its irrevocable attorney-in-fact. Pending such deposit, the Debtor agrees that it will not commingle any such checks, drafts, cash and other remittances with any of the Debtor's other funds or property, but will hold them separate and apart therefrom in express trust for the Lender until deposit thereof is made in said special account in the Lender. The Lender shall, from time to time, at its option, apply the whole or any part of the collected funds on deposit in said special account, so received by the Lender in payment of or on the debtor's Accounts and/or from the sale or lease of the Inventory, against the principal and/or interest of the Note and/or on the other Secured Obligations, the order and method of such application being in the sole discretion of the Lender. Any portion of said funds in the special account which the Lender elects not to apply as provided in the preceding sentence may be paid over by the Lender to the Debtor or may be retained in said special account, at the Lender's sole option, as continuing security and in which the Debtor hereby grants to the Lender a security interest to secure all the Secured Obligations.

7. Instruments Evidencing Accounts. If any of the Debtor's Accounts shall be evidenced by promissory notes, trade acceptances, chattel paper, documents or other instruments for the payment of money, the Debtor will deliver the same to the Lender, immediately following their creation, appropriately endorsed to the order of the Lender, and the Debtor also hereby authorizes the Lender to endorse the same on the Debtor's behalf as the Debtor's irrevocable attorney-in-fact and, regardless of the form of such endorsement, the Debtor hereby waives presentment, demand, notice of dishonor, protest and notice of protest and all other notices with respect thereto.

8. Events of Default. Each of the following shall constitute an Event of Default hereunder:

a. In the event any payment of principal and/or interest on the Note is not paid promptly when due and payable, or if Debtor fails to comply with any other term of the Note or any other agreement to which the Debtor and the Lender are parties;

b. If the Debtor fails to comply fully with any term or provision of this Security Agreement and such default continues for a period of fifteen (15) days after written notice of such failure is given by the Lender to the Debtor; or

c. if any representation or warranty made by or on behalf of Debtor pursuant to this Agreement, any other Loan Document or any other agreement, document, instrument or certificate executed by Debtor in favor of Lender shall be untrue or misleading in any material respect as of the date such representation or warranty was made or is deemed to have been made;

d. the occurrence of any "Event of Default" as defined in any Loan Document, or in any agreement now or hereafter securing the Note, or in any agreement now or hereafter evidencing or securing any of the Obligations.

9. Remedies Upon Default. Upon the occurrence of any Event of Default referred to above, the Lender may declare the Note and all other Secured Obligations to be accelerated and immediately due and payable in full without demand or notice of any kind, and the Lender shall have all rights and remedies in and against the Collateral and otherwise of a secured party under the Uniform Commercial Code of Kentucky (or such other state where any part of the Collateral may be located, if applicable) and all other applicable laws and shall also have all the rights provided herein, in the Note, and in all other instruments securing or related to the Investment Agreement, the Note and/or the other Secured Obligations, all of which rights and remedies shall be cumulative to the fullest extent permitted by law. In connection with the foregoing:

a. The Lender shall have the right to sell the Collateral at public and/or private sale, from time to time, as determined in its discretion;

b. The Lender may require the Debtor, at the Debtor's sole expense, to assemble any or all of the Collateral and make it available to the Lender at a place reasonably convenient to the Lender and the Debtor, as is designated by the Lender in its discretion, and the Lender may immobilize any of the Collateral, with or without proceeding to sell the Collateral or any part thereof;

c. The Lender shall have the right (and the Debtor hereby authorizes the Lender) to enter any premises where any part of the Collateral may be located, to assemble and prepare said Collateral for sale, to conduct an auction sale on the premises and/or to remove said Collateral from the premises, without being deemed guilty of trespass, and all reasonable expenses incurred by the Lender in exercising its rights under this section shall be chargeable to and borne by the Debtor;

d. The requirement of reasonable notice of the time and place of disposition of all or any portion of the Collateral by the Lender in a public sale shall be conclusively met if such notice is mailed, postage prepaid, to the Debtor at the address set forth herein, at least ten (10) days before the time of a public sale or disposition and the requirement of reasonable notice of a private sale shall be conclusively met if such notice is mailed, postage prepaid, to the Debtor at the address set forth herein, at least ten (10) days before the date on or after which a private sale or other disposition is to be made;

e. The Lender may bid upon and purchase any or all of the Collateral at any sale thereof, free from all rights of redemption of the Debtor;

f. The Lender may dispose of all or any part of the Collateral at one or more times and from time to time and in one or more lots or parcels, and upon such terms and conditions, including a credit sale, as it determines in its discretion, and the Lender shall apply the net proceeds of any such disposition of the Collateral or any part thereof first to the costs incurred in connection therewith, or incidental to the holding or preparing for sale, in whole or part, of the Collateral, including but not limited to reasonable attorneys', accountants' and appraisers' fees, and then in such order as the Lender may elect, at its option, to the Secured Obligations;

g. The Debtor shall remain liable for any deficiency in the Secured Obligations that remains due, and to the extent permitted by law, the Debtor waives all rights of redemption in or with respect to the Collateral;

h. The Debtor shall pay, as part of the indebtedness and obligations hereby secured, all amounts, including but not limited to the Lender's reasonable attorneys', accountants' and appraisers' fees, as permitted by applicable law, with interest thereon at the rate provided in the Note, that are paid or incurred by the Lender (i) for taxes and levies on the Collateral, or any part thereof, and (ii) in taking possession of, disposing of, repairing, improving or preserving the Collateral.

10. Future Advances. This Security Agreement secures all future advances or loans that may be made at any time by the Lender to the Debtor.

11. Binding Agreement and Benefits. This Security Agreement shall bind the Debtor and its successors and assigns, and shall inure to the benefit of the Lender and its successors and assigns.

12. Time of Essence. Time shall be of the essence in the performance of all of the Debtor's obligations and agreements under this Security Agreement.

13. Severability. In the event that any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Security

Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

14. Application of Collateral and Proceeds. The proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied in the following order of priorities:

a. First, to pay the expenses of such sale or other realization, including reasonable commission to Lender's agent, and all expenses, liabilities and advances incurred or made by Lender in connection therewith, and any other unreimbursed expenses for which Lender is to be reimbursed pursuant to the terms hereof;

b. second, to the payment of the Obligations in such order and manner as Lender, in its sole discretion, shall determine; and

c. finally, unless applicable law otherwise provides, to pay to Debtor, or its successors or assigns, or as a court of competent jurisdiction may direct, any surplus then remaining from such proceeds.

15. Expenses. Debtor will forthwith upon demand pay to Lender:

a. the amount of any taxes which Lender may at any time be required to pay by reason of the Security Interests (including any applicable transfer taxes and taxes payable in connection with the filing of financing statements to perfect the Security Interests) or to free any of the Collateral from any lien thereon, and

b. the amount of any and all reasonable out-of-pocket expenses, including reasonable attorneys' fees and the reasonable fees and disbursements of any agents not regularly in its employ, which Lender may incur in connection with (i) the preparation and administration of this Security Agreement, (ii) the collection, sale or other disposition of any of the Collateral, (iii) the exercise by Lender of any of the powers, rights or remedies conferred upon it hereunder, or (iv) any default on Debtor's part hereunder.

16. Termination of Security Interests; Release of Collateral. Upon the repayment and performance in full of all the Obligations and Lender's receipt of a writing signed by Debtor terminating all obligations of Lender to extend credit or provide financial accommodations to Debtor, the Security Interests shall terminate and all rights to the Collateral shall revert to Debtor. Upon any such termination of the Security Interests or release of Collateral, Lender will, at Debtor's expense to the extent permitted by law, execute and deliver to Debtor such documents as Debtor shall reasonably request to evidence the termination of the Security Interests or the release of such Collateral, as the case may be.

17. Notices. All notices, communications and demands hereunder shall be in writing and sent by certified or registered mail, return receipt requested, or by overnight delivery service,

with all charges prepaid, to the applicable party or parties at the addresses set forth in the initial paragraph hereof, or by facsimile transmission (including, without limitation, computer generated facsimile), promptly confirmed in writing sent by first class mail, to the Kentucky telecopier numbers supplied by the parties from time to time, or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties complying as to delivery with the terms of this Section. All such notices and correspondence shall be deemed given upon the earliest to occur of (i) actual receipt, (ii) if sent by certified or registered mail, three (3) business days after being postmarked, (iii) if sent by overnight delivery service, when received or when delivery is refused, or (iv) if sent by facsimile, when receipt of such transmission is acknowledged.

18. Waivers; Non-Exclusive Remedies.

a. Except as otherwise specifically provided herein, Debtor hereby waives demand, notice, protest, notice of acceptance of this Security Agreement, notice of loans made, credit extended, collateral received or delivered or other action taken in reliance hereon (and all other demands and notice of any description). With respect to both the Obligations and the Collateral, Debtor hereby assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as Lender may deem advisable.

b. Except as otherwise provided by applicable law, Lender shall not have any duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody of any Collateral in its possession. Except as otherwise provided by applicable law, Lender may exercise its rights with respect to the Collateral without resorting or regard to other collateral or sources of reimbursement for liability. Except as otherwise provided by applicable law, Lender shall not be required to marshal any present or future security for (including, but not limited to, this Security Agreement and the Collateral subject to the Security Interests created hereby), or guaranties of, the Obligations or any of them, or to resort to such security or guaranties in any particular order; and all of its rights hereunder and in respect of such security and guaranties shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may do so, Debtor hereby agrees that it will not invoke any law relating to the marshaling of collateral which might cause delay in or impede the enforcement of Lender's rights under this Security Agreement or under any other instrument evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or guaranteed, and to the extent that it lawfully may do so, Debtor hereby irrevocably waives the benefits of all such laws.

c. No failure on the part of Lender to exercise, and no delay in exercising, and no course of dealing with respect to, any right, power or remedy under this Security Agreement shall operate as a waiver thereof; nor shall any single or partial exercise by Lender of any right, power or remedy under this Security Agreement preclude any other right, power or

remedy. The remedies in this Security Agreement are cumulative and are not exclusive of any other remedies provided by law, including any rights of setoff in favor of Lender.

19. Changes in Writing. Neither this Security Agreement nor any provision hereof may be changed, waived, discharged or terminated orally but only by a statement in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

20. Kentucky Law; Meaning of Terms. This Security Agreement shall be construed in accordance with and governed by the laws of the State of Kentucky applicable to contracts made and performed in said state, except to the extent that remedies provided by the laws of any state other than Kentucky are governed by the laws of such state. Unless otherwise defined herein, or unless the context otherwise requires, all terms used herein which are defined in the UCC as in effect in the State of Kentucky have the meanings therein stated.

21. Successors and Assigns. This Security Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, including, without limitation, any subsequent holders of the Note(s) or any of the Obligations, each of whom shall, without further act, become a party hereto by becoming a holder of the Note(s) or such Obligations.

22. Headings. The headings in this Security Agreement are for the purposes of reference only and shall not limit or otherwise affect the meaning hereof.

23. Counterparts. This Security Agreement may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same agreement.

24. Indemnity. Debtor agrees to indemnify Lender and hold Lender harmless from and against any and all cost, expense, liability, loss or damage incurred or suffered by Lender, including reasonable attorneys' fees and costs of litigation, arising out of or in connection with, whether directly or indirectly, any breach by the Debtor of this Agreement or any other agreement referred to herein or executed in connection herewith.

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement on the dates set forth below, to be effective as of the day, month and year first above written.

SHELLTECH LLC.

BY: _____

TITLE: _____

DATE: _____

KENTUCKY HIGHLANDS
INVESTMENT CORPORATION

BY: _____

TITLE: _____

DATE: _____

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ATTACHMENT 1

DEBTOR LICENSED INTELLECTUAL PROPERTY

U.S. Patent No. 9,939,236, together with any goodwill symbolized by or associated exclusively with such patent; all derivative work thereof; all trade secret rights related to such patent including know-how, operating manuals, license rights and agreements and confidential information; all reissues, renewals or extensions thereof; all general intangibles related to or derived or arising out of or from such patent; all books and records including computer programs, blueprints, drawings, computer programs, computer discs, computer tapes, literature, reports, catalogs, design rights and other materials and records pertaining to such patent.

The following U.S. patent applications, together with any goodwill symbolized by or associated exclusively with such patent applications; all derivative work thereof; all trade secret rights related to such patent applications including know-how, operating manuals, license rights and agreements and confidential information; all reissues, renewals or extensions thereof; all general intangibles related to or derived or arising out of or from such patent applications; all books and records including computer programs, blueprints, drawings, computer programs, computer discs, computer tapes, literature, reports, catalogs, design rights and other materials and records pertaining to such patent applications:

Atty. No.	Serial No.	Title
3439	15221530	Firearm casing and cartridge
3439PCT	PCTUS1644322	Firearm cartridge and method of making
3626	15/853824	Firearm casing with shroud

EXHIBIT A

EXISTING LIENS AND SECURITY INTERESTS

The intellectual property identified in Attachment 1 is subject to the existing, prior, perfected liens and security interests of the senior secured lenders to Shell Shock Technologies, LLC, a Delaware limited liability company, pursuant to filings made with the United States Patent and Trademark Office and the State of Delaware.

EXHIBIT B

Additional Representations and Warranties

1. The Debtor's exact name is: SHELLTECH LLC. Debtor has not used any other name within the previous ten (10) years.
2. The Debtor's Federal Tax Identification Number is: 82-3293733.
3. Debtor uses in its business and owns the following trade names:

NONE

4. The Debtor's principal place of business is:

509 Texas School Road
Eubank
Pulaski County
Kentucky
42567

5. Debtor has other places of business located at:

NONE

6. No part of the equipment constituting the Collateral will be affixed to any real estate or will otherwise constitute or become a fixture or a part of the real estate upon which it is located.

POWER OF ATTORNEY COUPLED WITH INTEREST

ShellTech, LLC, a Kentucky LLC, having its principal office at 509 Texas School Rd., Eubank, KY 42567 ("Debtor"), hereby irrevocably appoints Kentucky Highlands Investment Corporation, a Kentucky Corporation with its principal office at P.O. Box 1738 London, KY 40743 ("Lender") as the Debtor's attorney-in-fact to do all acts and things which the Lender may deem necessary or appropriate to perfect and continue perfected the security interest created by the Security Agreement of even date and to protect the Collateral, as defined in the Security Agreement following the occurrence of an Event of Default.

Lender is further irrevocably appointed as Debtor's Attorney in fact to, upon the occurrence of an Event of Default, take all actions necessary to liquidate the Collateral, in accordance with all applicable provisions of the Uniform Commercial Code.

Lender's appointment is coupled with Lender's security interest in the Collateral of the Debtor and is therefore irrevocable by Debtor for so long as that interest shall continue.

SHELLTECH, LLC.

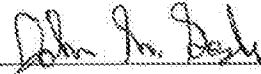
BY: 

TITLE: CEO

DATE: 12-12-18

COMMONWEALTH OF KENTUCKY
COUNTY OF PULASKI

The foregoing was subscribed sworn to and executed by Craig Hughes, on behalf of ShellTech, LLC before me a Notary Public of this State on this 12th day of December, 2018.


Notary Public

My Commission Expires: 11/19/2020